

ASX Release

31 August 2004

Subject: Appendix 4E, Audited Annual Report and Notification of the timing of the Annual General Meeting of Shareholders

Following is the Company's

- Appendix 4E for the 12 months ended 30 June 2004; and
- Audited Annual Report for the 12 months ended 30 June 2004

The Company also wishes to advise that it will hold its Annual General Shareholders' Meeting at 10am on Tuesday 2 November 2004 at the offices of KPMG, 10 Shelly Street (near King Street Wharf).

Bryan Dulhunty
Company Secretary

Cryosite Limited

ABN 86 090 919 476

Appendix 4E

Preliminary Final report

Year ended 30 June 2004 (current period)

and the year ended 30 June 2003 (previous corresponding period)

Results for announcement to the market

				\$A'000
Revenue from ordinary activities:	Up	6.5%	to	2,164
(Loss) from ordinary activities after tax attributable to members:	Down	18.8%	to	(950)
Net (loss) for the period attributable to members:	Down	18.8%	to	(950)
				Previous corresponding Period
		Current period		
Net tangible asset backing per ordinary security		6.8 cents		7.8 cents
Basic earnings/(loss) per share		(2.6) cents		(3.3) cents

An explanation of the result of the current period are set out in the Directors Report contained in the attached audited Annual Report.

Full Financial details of the Company are also contained in the attached audited Annual Report.

Dividends: It is not proposed that any dividend will be paid. No dividends were paid in the previous corresponding period.

CRYOSITE LIMITED

ABN 86 090 919 476

Annual Report

for the year ended 30 June 2004

CRYOSITE LIMITED—ANNUAL FINANCIAL REPORT

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Corporate Directory

Directors

Richard Grellman (Chairman)
Dr Peter French (Non-executive Director)
Theodore Onisforou (Non-executive Director)
Professor Ronald Penny, AO (Non-executive Director)
Gordon Milliken (Managing Director)

Company Secretary

Bryan Dulhunty

Registered Office

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Share Register

ASX Perpetual Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000

Auditors

Ernst & Young

Internet Address

www.cryosite.com

LETTER TO SHAREHOLDERS

I am very pleased to bring you an update on the company's progress during the past year. There have been a number of achievements that your Directors would like to mention that I believe will make a valuable contribution to the success of the company in the years ahead.

The most significant of these was the company receiving a Code of Good Manufacturing Practice licence from the Therapeutic Goods Administration (TGA). The licence covers a number of our services including the cord blood service, archival storage and clinical trial logistics. The TGA licence is the result of the expenditure of a considerable amount of time, energy and money and represents a major asset for the company. It also provides the company with a significant competitive advantage, especially in the private cord blood market.

We have enjoyed excellent growth of the clinical trial logistics service. I mentioned in last year's report that we were confident that we would be able to continue to build up a large customer base of both pharmaceutical companies and contract research organisations. In June we were successful in signing an agreement with Bristol-Myers Squibb for the management of their clinical trial logistics in Australia and New Zealand. To complement this increase in activity, a major upgrade to the facility was undertaken that included the construction of a dedicated clinical trial area. We are planning to continue to promote this service heavily during the next year.

Our cord blood service is operating satisfactorily, however, we believe that there is considerable untapped potential. To this end, we have recently commissioned a detailed market survey to help in finding ways to improve our marketing success and to make our patient information material more relevant and cost-effective. The number of participating obstetricians and hospitals continued to increase. Pleasingly, we now have had over 400 obstetricians collect cord blood from over 200 hospitals throughout Australia.

Another highlight was signing an agreement with the Peter MacCallum Cancer Institute in Melbourne for the storage of adult stem cells as part of their cell therapy programme. The Peter MacCallum Cancer Institute is one of the world's most respected medical research institutions and is the only hospital in Australia that is solely devoted to the treatment of cancer patients. We were only able to obtain this agreement by having our TGA licence and we are currently in discussions with a number of similar institutions about providing similar services.

The archival storage service continues to grow with a marked increase in the general awareness of Cryosite in the research and biotechnology communities. We have recently signed our biggest storage contract with a public institution for the ultra-low temperature storage of over 250,000 blood samples from a large epidemiological study.

Up until now, the distribution service has been focussed on our exclusive agreement with the American Type Culture Collection. We are now looking to expand into the distribution of other products including reagents for tissue culture laboratories and for commercially released pharmaceutical products.

Last year, I reported that we were not planning any major developments to Cryobase, our proprietary web-based software for the management of clients' sample inventory and associated data. We did, however, make a number of enhancements as part of our routine operations and will continue to do this as the need and opportunity arise. We will also continue to assess third-party licensing opportunities.

LETTER TO SHAREHOLDERS continued

Our revenue increased by 6.5% to \$2,164,448. During the year we provided for the ongoing capital and operational cash needs by raising \$1,246,082 by way of a combined rights issue and share purchase plan.

I am grateful to our shareholders who continue to support the company. We are committed to repaying this support by continuing to build a unique company that is well positioned to capitalise on the significant expansion of the biotechnology and research industries in Australia.

Richard Grellman
Chairman

Directors' Report

Your directors submit their report for the year ended 30 June 2004.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period.

Names, qualifications, experience and special responsibilities

Richard Grellman FCA - Non-executive Chairman

In 2000, Richard Grellman retired as a partner of KMPG, having been with that firm for 32 years. He is Chairman of the Motor Accidents Authority of New South Wales, President and Chairman of the Board of Mission Australia and Chairman of the Association of Surfing Professionals (International) Limited. In addition, he is a Non-Executive Director of AMP Limited and also Atlas Group Holdings Limited. Richard Grellman is a Fellow of the Institute of Chartered Accounts in Australia. Mr. Grellman was appointed to the Board in November 2002.

Dr Peter French, BSc, MSc, PhD, MBA – Non-Executive Director

Dr Peter French is the Managing Director of ASX listed biotechnology company VRI BioMedical, a position he has held since October 2003. Dr. French holds a Ph.D. in cell biology, and an MBA in Technology Management. Dr. French is a Past President of the Australia and New Zealand Society for Cell and Developmental Biology and is a member of board of the International Society of Differentiation. From 1998 to 2001, he served as a member of the Board of FASTS - the Federation of Australian Science and Technology Societies, representing the biological sciences sector. He was the author of the first FASTS Occasional Paper - "Biotechnology in Australia" - in 1999.

Theodore Onisforou, B.Com, L.L.B – Non-Executive Director

Mr. Onisforou has extensive commercial experience initially as a Tax Accountant with Peat, Marwick Mitchell, as a lawyer with Allen Allen and Hemsley and then as a Barrister at Law. He was Investment Manager at Consolidated Press Holdings and for the past five years, has been involved full time as a professional investor. He has a Masters Degree in Agricultural Science from Sydney University. Mr. Onisforou joined the Board in March 2000 and was Chairman from May 2001 until December 2002.

Professor Ronald Penny, AO, DSc, MD, FRACP, FRCPA – Non-Executive Director

Professor Penny established the Department of Immunology at St Vincent's Hospital and the University of New South Wales, Sydney, in 1969 and was appointed Director of the Centre for Immunology in 1982. He was awarded an MD (University of Sydney) in 1970 and a DSc (UNSW) in 1979. In 1993 he was appointed an Officer of the Order of Australia "for service to medical research and education particularly in the field of clinical immunology". As one of Australia's leading immunologists, Professor Penny serves as Honorary Consultant at several Sydney Hospitals and serves on the Editorial Board of six international medical and scientific journals. Over the past fourteen years, he has held senior positions on Federal and NSW Government HIV/AIDS Health Services Committees and currently, is the Chairman of the NSW Government's Corrections Health Services Board. Professor Penny was appointed to the Board in December 1999. Recently he resigned after 33 years as Director of the Centre for Immunology to accept the position of Senior Medical Advisor to the NSW Department of Health and Medical Director of Good Health Solutions, a workplace health management company.

Directors' Report continued

Gordon Leonard Milliken, Dip. Med. Tech. Grad. Dip. Ops. Mgt - Managing Director

Mr. Milliken has extensive experience in a variety of positions in the commercial medical and veterinary technology fields. These include the position of Manager, Animal Health Laboratory for the Ingham's Enterprises group, research scientist at Australian Monoclonal Developments and Senior Manager at Macquarie Pathology Services and Operations Manager, Hanly Moir Pathology. Gordon Milliken is one of the founders of Cryosite and has been instrumental in setting up the operational core of the company. He has been involved in the company on a full-time basis since it was established in 1999, and assumed the position of Managing Director in February 2002. Gordon holds a Diploma of Medical Technology and a Graduate Diploma in Operations Management.

EARNINGS PER SHARE

Basic earnings per share	(2.6) cents
Diluted earnings per share	(2.6) cents

PRINCIPAL ACTIVITIES

The company utilises its core platform of ultra-low and cryogenic storage of biological samples to provide four services:

- private collection and storage of umbilical cord blood stem cells;
- distribution of temperature critical biological products;
- clinical trial logistics; and
- archival storage of biological samples.

REVIEW OF OPERATIONS

The highlight for the year was obtaining a licence from the Therapeutic Goods Administration (TGA) for the Manufacture of Therapeutic Goods under the Code of Good Manufacturing Practice Guidelines (GMP). In order to be successful in obtaining a GMP licence, an organisation must be able to demonstrate that it operates a world class Quality Management System. The development of such a system requires the active involvement of the entire organisation. The facility design and set-up must be both functional as well complying with the regulator's guidelines. The operations have to be clearly documented in a set of Standard Operating Procedures that must be strictly followed by all employees and contractors to promote an error-free service to customers.

Our clinical trial logistics clients have very exacting requirements as far as handling of their products are concerned. In working to meet these requirements, we have recently completed a project to redevelop the facilities to isolate the clinical trial area. The redevelopment also includes an upgraded environmental monitoring and control system and a dedicated area for drug relabelling, a service for which we also have a TGA licence.

The cord blood service continues to operate very efficiently with a steady increase in the number of obstetricians who have collected blood for our customers as well as an increase in both the number of hospitals where blood was collected and their geographical spread. Now that we have a TGA licence for the autologous use of cord blood, we have applied for an extension to the licence to allow for the directed use of the blood. We expect to receive this extension shortly and anticipate that it will generate more interest from prospective parents as the blood may be used for the treatment of siblings.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Directors' Report continued

The distribution service has so far been very much focussed on the marketing of the products of the ATCC. We are currently in negotiation with the ATCC for a new 5-year agreement and expect to have a document signed well before the current agreement expires early next year. We are also looking for other opportunities such as the distribution of some laboratory products that complement the ATCC range and over the counter and prescription medications.

The archival storage service experienced good growth during the year. The fact that GMP storage is included in our TGA licence schedule will be a focus of our marketing plans in the future. The two most significant contracts obtained during the year were firstly the agreement with the Peter MacCallum Cancer Institute for the storage of adult stem cells. These samples are similar to cord blood where there is an accumulation of samples, and a corresponding increase in annuity income for many years. The other contract is for the storage of over 250,000 samples from a large epidemiological study. Although this is not a long-term contract, it is recognition of our capability to handle such a large number of what are very valuable samples. During the year a number of additional ultra-low temperature freezers and liquid nitrogen storage tanks have been commissioned to meet storage volume requirements.

Although no major development of Cryobyte was undertaken, a number of enhancements were completed as part of our routine operations. The most significant of these was the extension of the environmental monitoring capabilities to provide on-line monitoring of temperature and humidity conditions of the ambient rooms and cold room used for clinical trial logistics. As well as being an important functional capability, it is also a valuable marketing advantage.

COMPETITIVE ENVIRONMENT

Cryosite is in a strong competitive position for a number of services. Recently competitors have emerged in the private cord blood storage area, however, Cryosite is the only company to hold a TGA licence and therefore, we maintain an important point of differentiation for potential expectant parents who recognise the value of dealing with a licensed laboratory.

We continue to increase our profile in the clinical trial logistics service and during the year we were major sponsors of the annual conference of the Association of Regulatory and Clinical Scientists, the professional group to which the majority of our target customer group belong. Cryosite has differentiated itself from its competitors in this area by our strategy of providing a very customised and personalised service and only employing scientifically qualified and trained staff to operate in this area.

Cryosite is continuing to explore the most innovative and relevant approaches to marketing all facets of its business which we believe will sustain the business in the medium to long term so as to ensure continued growth and revenue

OPERATING RESULTS FOR THE YEAR

The consolidated entity experienced an improvement in sales and a reduction in operating losses in this financial year. Total revenue increased by 6.5%. Overheads have been contained showing a 2.7% reduction during the period.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Directors' Report continued

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board is confident that, subject to any unforeseen circumstances, the benefits of its common infrastructure and operations systems to support the three business units, will allow it to increase revenue growth and improve margins and overall financial performance of the Company during the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the Company issued 9,630,456 shares to raise \$1,246,082 net of capital raising costs. Refer to Note 18 of the financial statements

REGULATORY ENVIRONMENT

Cryosite provides services to a number of groups of customers who operate in a highly regulated environment. To be able to service these customers, Cryosite must satisfy the regulatory mandates of a variety of government and statutory regulators as well as the quality auditors of the customers themselves. One of our major achievements this year was in obtaining a Code of Good Manufacturing licence.

Cryosite has accreditations, licences or approvals from the Therapeutic Goods Administration, the National Association of Testing Authorities (ISO/IEC 17025), the Australian Quarantine Inspection Service and the NSW Health Department.

The company will continue to operate at a high level of quality to a standard that allows it to retain its current status and be able to continue to provide the current range of services.

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid a premium in respect of a contract, insuring all the Directors and Officers against liability, except wilful breach of duty, of a nature that is required to be disclosed under section 300 (8) of the Corporations Act 2001. In accordance with commercial practice, further details of the nature of the liabilities insured against and the amount of the premium, have not been disclosed.

SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE DATE

The directors are unaware of any event or transaction that has occurred between the balance date 30 June 2004 and the date of this report, which had or may have a significant effect on the company.

DIVIDENDS

There were no dividends declared or paid during the course of the financial year and no dividend is recommended.

DIRECTORS' AND OFFICERS EMOLUMENTS

Details of the nature and amount of each element of the emolument of each director of the company, each of the executive officers of the company and the consolidated entity receiving the highest emolument for the financial year, are as follows. Details regarding the issue of share options under this plan are provided in note 18 to the financial statements.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Directors' Report continued

Annual Emoluments

	Directors Fees	Salary	Other	Super- annuation	Total
	\$	\$	\$	\$	\$
R. Grellman	45,871	-	-	4,129	50,000
Dr P. French	18,349	-	-	1,651	20,000
T. Onisforou	18,349	-	-	1,651	20,000
Prof Ronald Penny	18,349	-	-	1,651	20,000
G. Milliken	-	54,051	18,084	52,865	125,000

Long Term Emoluments

Options issued as at the 30 June 2004	No. Granted	Grant Date	No. Vesting	Deemed cost \$	% of Remuneration
R. Grellman	500,000	27 Nov 02	-	35,000	70.00%
Dr P. French	-	-	-	-	-
T. Onisforou	-	-	-	-	-
Prof Ronald Penny	-	-	-	-	-
G. Milliken	312,500	9 May 02	125,000	5,628	4.31%

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Cryosite Limited were:

Director	Ordinary Shares	Options over Ordinary Shares
R. Grellman	62,500	500,000
T. Onisforou	9,531,342	-
Prof Ronald Penny	847,657	-
Dr. P. French	788,648	-
G. Milliken	963,490	312,500

No options were exercised during the year. Options previously on issue to non-executive directors lapsed during the year and were cancelled. Refer Note 18.

No executive remuneration has been disclosed as the Company has no executives that are not directors.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Directors' Report continued

DIRECTORS' MEETINGS

During the financial year, 8 meetings of directors were held. Attendances were as follows:

Directors	Directors Meetings Eligible to attend	Directors Meetings Attended
R. Grellman	8	8
T. Onisforou	8	7
Prof. Ronald Penny	8	7
Dr P. French	8	5
G. Milliken	8	8

CORPORATE STRUCTURE

Cryosite Ltd is a company limited by shares that is incorporated and domiciled in Australia. Cryosite Ltd has prepared a consolidated financial report incorporating Cryosite Distribution Pty Ltd, an entity that it controlled during the year.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors support the principles of corporate governance. The company's corporate governance statement is contained in the following section of this annual report.

Signed in accordance with a resolution of the directors.

Richard Grellman
Chairman

Gordon Milliken
Managing Director

Date 30 August 2004

Corporate Governance Statement

The Board strongly agrees with the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX. The directors are, however, realistic in acknowledging the size and nature of the company and have modified where they deem applicable, the best practice standards as laid down by the ASX. The Best Practice Recommendations not adopted or specific comments thereon are as follows:

Role of the Board and Management

The Board is responsible for the Corporate Governance of the company including the setting and the monitoring of the objectives, goals and corporate direction. There are no formal statements as to the delegated authority of management, however the Board closely interacts with the management of the company and has established systems of internal control, assesses, monitors and manages business risk, and ensures adherence to appropriate ethical standards.

Structure of the Board

Directors' qualifications and experience are outlined in the Directors' Report.

Due to the early phase in development of the company, the company does not believe it appropriate to maintain a structure, where there is a majority of independent directors. A majority of the directors are the founders of the company and significant shareholders. As the company grows, the structure of the board will change and greater levels of independence reached.

Due to the size of the company, it is not considered necessary to maintain a Nomination Committee. When a vacancy exists, through whatever cause or, where it is considered that the Board would benefit from the services of a new director with particular skills, the Board considers candidates with the appropriate expertise and experience. The Board then appoints the most suitable person who shall hold office, until the conclusion of the next following annual general meeting of the company and shall be eligible for election at such annual general meeting. One third of the directors shall retire from office and be eligible for re-election at every general meeting and there are no share qualifications for a director.

Each Director has the right to seek independent professional advice regarding material matters concerning the Company, at the Company's expense, after notifying the Chairman.

Ethical and Responsible Decision-making

The Company does not have a formal Code of Conduct. However, it recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics. Directors and officers are expected to act in accordance with the law and with the highest standards of propriety.

Safeguard Integrity in Financial Reporting

The Company does not have a formally constituted Audit Committee of the Board of Directors. The Board undertakes the functions of the Audit Committee, such as the establishment and maintenance of the framework of internal control and appropriate ethical standards for the management of the economic entity.

Timely and Balanced Disclosure

The Board, through its continuous disclosure, the maintenance of a web site, distribution of the annual report to all shareholders and the holding of an annual shareholders meeting where shareholders are encouraged to participate, strives to keep shareholders fully informed of developments within the company, in a cost effective manner.

Corporate Governance Statement continued

Shareholders' Rights

The Company does not have a formal shareholder communications strategy. However, the Board is aware of the importance of effective shareholder communication and makes use of its corporate website and requests that the External Auditor attends general meetings.

Recognise and Manage Risk

No formal risk management profiles, policies and procedures, have been adopted. However, the Board meets on a regular basis and as part of the ongoing review of performance current and possible future business risks are identified. If a business risk is identified, appropriate action is planned and instigated by the Board. The results of the action plan are regularly reviewed and corrective action is taken if required.

Due to the size of the Company, an Internal Audit function has not been implemented.

The Managing Director and Company Secretary report to the Board on the integrity of financial statements and the effectiveness of internal compliance and control systems.

Performance Enhancement

The Board does not have a Nomination Committee and has not adopted formal Performance Enhancement procedures, as the Board undertakes ongoing performance reviews as part of its regular review of Company activities.

Remuneration

Directors' Emoluments are outlined in the Directors' Report.

Due to the size of the Company a Remuneration Committee has not been established. The Board determines the remuneration packages for the Executive Director. Remuneration levels are competitively set to attract and retain the most qualified and experienced directors and senior employees. Remuneration packages currently paid include fixed, performance-based and equity based components.

The shareholders determine, at the annual general meeting, the aggregate remuneration of Non-Executive directors. The only retirement benefits payable to Non-Executive Directors are statutory superannuation payments.

Interests of Stakeholders

The Company does not have a formal Code of Conduct covering obligations to legitimate stakeholders. However, the Board is fully aware of its obligations for Public or Social Accountability, based on notions of legitimacy, fairness and ethics.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Directors' Declaration

In accordance with a resolution of the directors of Cryosite Limited, I state that:

(1) In the opinion of the directors:

- (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors

Richard Grellman
Chairman

Gordon Milliken
Managing Director

Date 30 August 2004

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Statement of Financial Performance

YEAR ENDED 30 JUNE

2004	Notes	Consolidated		Cryosite Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
Revenue from ordinary activities	2	2,164,448	2,031,573	1,332,923	1,485,938
Expenses from ordinary activities	3				
Borrowing costs expense		(5,014)	(11,875)	(5,014)	(11,875)
Costs of providing services		(1,240,513)	(1,242,538)	(847,422)	(948,000)
Marketing expenses		(285,361)	(357,182)	(244,093)	(341,783)
Occupancy expenses		(205,113)	(205,947)	(205,113)	(205,879)
Administration expenses		(1,378,485)	(1,384,031)	(1,375,673)	(1,383,060)
Loss from Ordinary Activities before Income Tax Benefit		(950,038)	(1,170,000)	(1,344,392)	(1,404,659)
Income Tax Benefit Relating to Ordinary Activities	4	-	-	-	-
Net Loss from Ordinary Activities after Income Tax Benefit	20	(950,038)	(1,170,000)	(1,344,392)	(1,404,659)
Share issue costs	18(b)	(198,487)	-	(198,487)	-
Provision for GST on share issue	18(b)	(111,000)	-	(111,000)	-
Total revenues and expenses attributable to members of Cryosite Limited and recognised directly in equity		(309,487)	-	(309,487)	-
Total Changes in Equity other than those Resulting from Transactions with Owners as Owners Attributable to Members of Cryosite Limited		(1,259,525)	(1,170,000)	(1,653,879)	(1,404,659)
Basic (loss) per share (cents per share)	26	(2.6)	(3.3)		
Diluted (loss) per share (cents per share)	26	(2.6)	(3.3)		

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Statement of Financial Position

AT 30 JUNE 2004	Notes	Consolidated		Cryosite Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
Current Assets					
Cash assets	21(b)	2,076,369	1,635,477	2,076,369	1,635,477
Receivables	6	566,826	512,811	431,654	391,039
Inventories	7	17,274	19,650	17,274	19,650
Other	8	150,702	96,429	145,192	96,429
Total Current Assets		2,811,171	2,264,367	2,670,489	2,142,595
Non-Current Assets					
Receivables	9	541,275	117,677	541,275	117,677
Other financial assets	10	-	-	20	20
Plant and equipment	12	1,050,412	1,142,573	1,046,735	1,138,428
Total Non-Current Assets		1,591,687	1,260,250	1,588,030	1,256,125
TOTAL ASSETS		4,402,858	3,524,617	4,258,519	3,398,720
Current Liabilities					
Payables	13	608,989	447,789	1,149,679	612,567
Interest-bearing liabilities	14	-	1,155	-	1,155
Unearned income	15	113,961	31,558	113,961	31,558
Provisions	16	36,646	22,909	36,646	22,909
Total Current Liabilities		759,596	503,411	1,300,286	668,189
Non-Current Liabilities					
Unearned income	17	604,372	251,372	604,372	251,372
Total Non-Current Liabilities		604,372	251,372	604,372	251,372
TOTAL LIABILITIES		1,363,968	754,783	1,904,658	919,561
NET ASSETS		3,038,890	2,769,834	2,353,861	2,479,159
EQUITY					
Contributed equity	18	7,815,715	6,680,633	7,815,715	6,680,633
Reserves	19	84,012	-	84,012	-
Accumulated losses	20	(4,860,837)	(3,910,799)	(5,545,866)	(4,201,474)
TOTAL EQUITY		3,038,890	2,769,834	2,353,861	2,479,159

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Statement of Cash Flows

**YEAR ENDED 30 JUNE
2004**

	Notes	Consolidated		Cryosite Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
Cash Flows from Operating Activities					
Receipts from customers		2,268,290	1,945,442	2,268,290	1,945,442
Payments to suppliers and employees		(3,077,601)	(3,019,406)	(3,077,601)	(3,019,406)
Interest received		75,606	122,630	75,606	122,630
Borrowing costs paid		(5,014)	(11,875)	(5,014)	(11,875)
Net Cash Flows (Used In) Operating Activities	21(a)	(738,719)	(963,203)	(738,719)	(963,203)
Cash Flows from Investing Activities					
Proceeds from sale of plant and equipment		1,258	12,194	1,258	12,194
Purchase of plant and equipment		(193,148)	(307,463)	(193,148)	(307,463)
Net Cash Flows (Used In) Investing Activities		(191,890)	(295,269)	(191,890)	(295,269)
Cash Flows from Financing Activities					
Proceeds from share issues		1,444,569	-	1,444,569	-
Share issue costs		(71,913)	-	(71,913)	-
Repayment of finance lease principal		(1,155)	(3,943)	(1,155)	(3,943)
Net Cash Flows From/ (used in) Financing Activities		1,371,501	(3,943)	1,371,501	(3,943)
NET INCREASE/ (DECREASE) IN CASH HELD		440,892	(1,262,415)	440,892	(1,262,415)
Add opening cash brought forward		1,635,477	2,897,892	1,635,477	2,897,892
CLOSING CASH CARRIED FORWARD	21(b)	2,076,369	1,635,477	2,076,369	1,635,477

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of accounting**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report is for Cryosite Limited, a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared in accordance with the historical cost convention. Cost is based on the fair values of consideration given in exchange for assets.

The following is a summary of material accounting policies adopted in the preparation of the financial report. The accounting policies are consistent with the prior year unless otherwise stated.

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

b) **Change in accounting policy**

The accounting policies adopted are consistent with those of the previous year.

c) **Principles of consolidation**

The consolidated financial statements are those of the consolidated entity, comprising Cryosite Limited (the parent company) and all entities that Cryosite Limited controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Notes to the Financial Statements *continued*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

d) **Foreign currencies**

Translation of foreign currency transactions

Transactions in foreign currencies are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the entities within the consolidated entity that are outstanding at the reporting date and are denominated in foreign currencies are translated at the spot rate at the end of the financial year.

e) **Cash and cash equivalents**

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and at call deposits with banks or financial institutions.

f) **Receivables**

Trade receivables (Current) are recognised and carried at original invoice amount less a provision for any uncollectible debts.

Trade receivables (Non-current) are carried at their net present value. The expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate of 17.5% (2003 17.5%).

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

g) **Investments**

All non-current investments are carried at the lower of cost and recoverable amount.

h) **Inventories**

Inventories consist of consumables used in the provision of services. Inventories are valued at the lower of cost and net realisable value. Cost is determined by actual purchase price.

i) **Recoverable amount**

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate.

j) **Plant and equipment**

Cost and valuation

All classes of plant and equipment are measured at cost.

Notes to the Financial Statements continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Depreciation

Depreciation is provided on a straight-line basis on all plant and equipment over their useful lives to the company, commencing from the time the asset is first held ready for use on a commercial basis.

Major depreciation rates are:	2004	2003
Leasehold improvements:	Lease term	Lease term
Plant and equipment:		
- fixtures and fittings	10 – 20 years	10 – 20 years
- information technology	2.5 – 5 years	2.5 – 5 years
- warehouse equipment	10 years	10 years
- office furniture & equipment	6 – 8 years	6 – 8 years
Software development	5 years	5 years
Plant & equipment under lease	8 years	8 years

k) **Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

l) **Payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount and are non-interest bearing.

Notes to the Financial Statements *continued*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

m) **Interest-bearing liabilities**

All loans are measured at the principal amount. Interest is charged as an expense as it accrues. Finance lease liability is determined in accordance with the requirements of AASB 1008 "Leases".

n) **Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

o) **Contributed equity**

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders. Ordinary share capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

p) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Revenue from the archival storage of biological samples is recognised over the period that storage occurs.
- Revenue from the rendering of non-storage services, such as collection or distribution of biological samples, is recognised upon the delivery of the service to the customers.
- Revenue received in advance for provision of services under a long-term contract is recognised at net present value with the balance being treated as unearned income in the statement of financial position.
- Revenue where services are provided in advance of payment under a long term contract are recognised at net present value with the balance outstanding taken to receivables. A corresponding amount is recognised as unearned income in the statement of financial position.
- Interest revenue is recognised on a proportional basis taking into consideration the interest rates applicable to the financial assets.

q) **Taxes**

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits relating to timing differences are not brought to account unless realisation is assured beyond any reasonable doubt. Future income tax benefits relating to tax losses are not brought to account unless the benefit is virtually certain of being realised.

Notes to the Financial Statements continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

r) **Employee benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used. Employee benefits expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
 - other types of employee benefits,
- are recognised against profits on a net basis in their respective categories.

s) **Earnings per share**

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

t) Equity Based Compensation

Where equity, including options, forms part of a service contract, director's or employee's remuneration the value of that equity is taken up as an expense in the financial statements by apportioning the expense over the period from grant date to likely exercise date.

Equity based compensation amounts included in director remuneration disclosures differ from those amounts expensed because remuneration disclosures apportion the remuneration over the period from grant date to vesting date.

30 JUNE 2004	Notes	Consolidated		Cryosite Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
2. REVENUE FROM ORDINARY ACTIVITIES					
Revenues from operating activities					
Revenue from services		2,092,836	1,902,666	1,261,311	1,357,031
Total revenues from operating activities		2,092,836	1,902,666	1,261,311	1,357,031
Revenues from non-operating activities					
Interest from other persons/corporations		70,354	116,713	70,354	116,713
Proceeds from sale of plant & equipment		1,258	12,194	1,258	12,194
Total revenues from non-operating activities		71,612	128,907	71,612	128,907
Total revenues from ordinary activities		2,164,448	2,031,573	1,332,923	1,485,938

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

30 JUNE 2004	Notes	Consolidated		Cryosite Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
3. EXPENSES AND LOSSES/ (GAINS)					
(a) Expenses					
Depreciation					
- Software costs		115,188	105,484	115,188	105,484
- Plant and equipment		126,468	108,488	126,000	108,021
- Leased assets		1,655	1,655	1,655	1,655
Total depreciation		243,311	215,627	242,843	215,160
Amortisation					
-Leasehold improvements		40,203	39,516	40,203	39,516
Total amortisation		40,203	39,516	40,203	39,516
Total depreciation and amortisation expense		283,514	255,143	283,046	254,676
Borrowing costs expensed – other		5,014	11,875	5,014	11,875
Operating lease rental		114,838	114,104	114,838	114,104
Options expense	18(c)	84,012	49,940	84,012	49,940
(b) Losses/ (gains)					
Net loss(gain) on sale of plant & equipment		537	(5,922)	537	(5,922)
4. INCOME TAX					
The prima facie tax at 30% (2003: 30%) on profit differs from the income tax provided in the financial statements as follows:					
Prima facie tax benefit on loss from ordinary activities		285,011	351,000	403,318	421,398

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

30 JUNE 2004	Notes	Consolidated		Cryosite Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
4. INCOME TAX					
continued					
Tax effect of permanent differences					
Options expense		(25,204)	(14,982)	(25,204)	(14,982)
Capital Raising cost deductions		66,418	-	66,418	-
Other items (net)		(7,696)	(18,723)	(7,510)	(19,013)
Tax losses not brought to account		(318,529)	(317,295)	(473,022)	(387,403)
Income tax expense attributable to ordinary activities		-	-	-	-
(a) Income tax losses					
Future income tax benefit arising from tax losses not brought to account at reporting date as realisation of the benefit is not regarded as virtually certain		1,442,589	1,107,638	1,442,589	1,193,951

This future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Tax consolidation

Effective 1 July 2002, Cryosite Limited and its 100% owned subsidiary formed a tax consolidated group. Members of the group entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiary on a pro-rata basis. The head entity of the tax consolidated group is Cryosite Limited.

There was no material effect on the group's tax balances as a result of the group accounting for tax as a tax consolidated group. Cryosite Limited has formally notified the Australian Taxation Office of its adoption of the tax consolidation regime

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends have been provided for or paid

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

30 JUNE 2004	Notes	Consolidated		Cryosite Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
6. RECEIVABLES					
(CURRENT)					
Trade debtors	6(a)	484,757	458,705	358,586	336,933
Other receivables	6(b)	82,069	54,106	73,068	54,106
		566,826	512,811	431,654	391,039
(a) Trade debtors:					
Trade debtors - 30 day terms		193,679	147,512	67,508	25,740
Trade debtors - term payment plans (i)		291,078	311,193	291,078	311,193
Total trade debtors		484,757	458,705	358,586	336,933
(i) Term payment plans are offered to customers under cord blood collection contracts. Customers have an option of payment in full, 6 month, 2 year or 18 year plans					
(b) Other receivables: Other receivables are non-interest bearing					
7. INVENTORIES					
(CURRENT)					
Raw materials and stores at cost		17,274	19,650	17,274	19,650
Total inventories at cost		17,274	19,650	17,274	19,650
8. OTHER CURRENT ASSETS					
Prepayments		150,702	96,429	145,192	96,429
9. RECEIVABLES					
(NON-CURRENT)					
Trade debtors	9(a)	510,422	86,824	510,422	86,824
Other receivables - rental bond	9(b)	30,853	30,853	30,853	30,853
		541,275	117,677	541,275	117,677
(a) Trade debtors					
Trade debtors – term payment plans refer to note 6 (a) (i)		510,422	86,824	510,422	86,824

(b) Other receivables are non- interest bearing.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

30 JUNE 2004	Notes	Consolidated		Cryosite Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
10. OTHER FINANCIAL ASSETS (NON-CURRENT)					
Investments at cost comprise:					
Controlled entities – unlisted	11	-	-	20	20

11. INTERESTS IN SUBSIDIARIES	Equity interest held by the consolidated entity		Investment	
Name - Cryosite Distribution Pty Limited				
	2004	2003	2004	2003
	%	%	\$	\$
Country of incorporation – Australia	100	100	20	20

	Notes	Consolidated		Cryosite Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
12. PLANT AND EQUIPMENT					
Leasehold improvements					
At cost		201,017	201,017	201,017	201,017
Accumulated amortisation		(125,201)	(84,998)	(125,201)	(84,998)
	12(a)	75,816	116,019	75,816	116,019
Plant and equipment leased					
At cost		-	13,791	-	13,791
Accumulated depreciation		-	(4,411)	-	(4,411)
	12(a)	-	9,380	-	9,380
Software					
At cost		583,682	560,482	583,682	560,482
Accumulated depreciation		(323,182)	(207,994)	(323,182)	(207,994)
	12(a)	260,500	352,488	260,500	352,488
Plant and equipment owned					
At cost		1,069,855	894,906	1,065,125	890,176
Accumulated depreciation		(355,759)	(230,220)	(354,706)	(229,635)
	12(a)	714,096	664,686	710,419	660,541
Total Plant and Equipment		1,050,412	1,142,573	1,046,735	1,138,428

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

30 JUNE 2004	Notes	Consolidated 2004 \$	2003 \$	Cryosite Limited 2004 \$	2003 \$
(a) Reconciliations					
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.					
<i>Leasehold Improvements</i>					
Carrying amount at beginning		116,019	149,552	116,019	149,552
Additions		-	5,983	-	5,983
Amortisation expense		(40,203)	(39,516)	(40,203)	(39,516)
		75,816	116,019	75,816	116,019
<i>Plant and equipment under lease</i>					
Carrying amount at beginning		9,380	11,035	9,380	11,035
Transfer to plant & equipment		(7,725)	-	(7,725)	-
Depreciation expense		(1,655)	(1,655)	(1,655)	(1,655)
		-	9,380	-	9,380
<i>Software</i>					
Carrying amount at beginning		352,488	410,265	352,488	410,265
Additions		23,200	47,707	23,200	47,707
Depreciation expense		(115,188)	(105,484)	(115,188)	(105,484)
		260,500	352,488	260,500	352,488
<i>Plant and equipment owned</i>					
Carrying amount at beginning		664,686	525,672	660,541	521,060
Additions		169,948	253,773	169,948	253,773
Transfer from plant under lease		7,725	-	7,725	-
Disposals		(1,795)	(6,271)	(1,795)	(6,271)
Depreciation expense		(126,468)	(108,488)	(126,000)	(108,021)
		714,096	664,686	710,419	660,541

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

30 JUNE 2004	Notes	Consolidated		Cryosite Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
13 PAYABLES (CURRENT)					
Trade creditors	13(a)(b)	308,485	240,173	252,768	178,045
Other creditors and accruals	13(b)	300,504	207,616	275,668	199,176
		608,989	447,789	528,436	377,221
Aggregate amounts payable to related parties:					
Wholly-owned group – controlled entity		-	-	621,243	235,346
		-	-	621,243	235,346
Total payables		608,989	447,789	1,149,679	612,567
(a) Australian dollar equivalents of amounts payable in foreign currencies not effectively hedged:					
– United States dollars		40,289	44,540	-	-
(b) Terms and conditions:					
(i) Trade creditors are non-interest bearing and are normally settled on 30-day terms					
(ii) Other creditors are non-interest bearing					
14. INTEREST-BEARING LIABILITIES (CURRENT)					
Lease liability	22	-	1,155	-	1,155
15. UNEARNED INCOME (CURRENT)					
Unearned service revenue	15(a)	113,961	31,558	113,961	31,558
(a) Represents revenue received in advance for services to be rendered under long-term storage contracts					
16. PROVISIONS (CURRENT)					
Employee benefits	23	36,646	22,909	36,646	22,909
17. UNEARNED INCOME (NON-CURRENT)					
Unearned service revenue	15(a)	604,372	251,372	604,372	251,372

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

30 JUNE 2004

Notes

Consolidated

Cryosite Limited

2004
\$

2003
\$

2004
\$

2003
\$

18. CONTRIBUTED EQUITY

a) Issued and paid up capital

Ordinary shares fully paid

7,815,715	6,680,633	7,815,715	6,680,633
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b) Movements in shares on issue

	2004		2003	
	Issued and fully paid ordinary shares		Issued and fully paid ordinary shares	
	Shares	\$	Shares	\$
Beginning of the financial year	35,375,000	6,680,633	35,375,000	6,630,693
Fair value of options granted during the year	-	-	-	49,940
Shares issued on 31 May 2004 under a 1 for 4 rights issue at 15 cents per share	8,843,750	1,326,563	-	-
Shares issued on 31 May 2004 under a share placement plan at 15 cents per share	786,706	118,006	-	-
Less: issue costs on rights issue and share placement plan	-	(198,487)	-	-
Less: Provision for GST payable on costs incurred for shares issued under the Initial Public Offer in May 2002(i)	-	(111,000)	-	-
End of the financial year	45,005,456	7,815,715	35,375,000	6,680,633

(i) A provision has been made in the current financial year for \$111,000 to cover GST on costs associated with the Initial Public Offering made on 9 May 2002. The GST claimed as an input tax credit is currently being reviewed to determine the correct status. This provision covers the maximum amount that may be disallowed on review.

b) Share Options

Options over ordinary shares:

Employee share scheme

At the end of the year there were 550,000 (2003: 1,300,000) unissued ordinary shares in respect of which options were outstanding under the employee share scheme.

	2004		2003	
	Number of options	Exercise price	Number of options	Exercise price
Balance at beginning of year	1,300,000	-	1,662,500	0.40
- forfeited by executive and staff	(750,000)	-	(362,500)	0.40
Balance at end of year	550,000	-	1,300,000	0.40
Exercisable at end of year				
- by executive and staff	220,000	0.40	110,000	0.40

Notes to the Financial Statements continued

18. CONTRIBUTED EQUITY continued

Refer to Note 27e for details of options held by directors under the employee share scheme

Terms and conditions of options issued under employee share scheme details

On 18 February 2002, Cryosite established an Employee Share Option Plan ("the Plan"). The Plan is designed to assist in the retention and motivation of employees and directors of the Company.

The terms and conditions of the Plan are as follows:

- (i) Options may be granted under the Plan to an employee or director of the Company or any of its subsidiaries, or to a person who renders services to the Company, or to any of its subsidiaries and is eligible to be a participant in the Plan under the terms of the Income Tax Assessment Act 1936 and Income Tax Assessment Act 1997 and by any instrument issued by ASIC and applicable to the Company ("eligible participant").
- (ii) The Cryosite Board will determine the number of share options granted to each eligible participant.
- (iii) The total number of share options granted under the Plan will be limited to 5% of the total number of issued shares at the time the offer or grant of options is made.
- (iv) Options will be issued for no consideration.
- (v) The Board will determine the Option Exercise Price after considering the volume weighted average of the prices at which shares were traded on ASX during the one month period before the date of the offer.
- (vi) Options will expire at the end of eight years from the option grant date or if the participant ceases to be an employee or director of, or render services to, the Company or any of its Subsidiaries for any reason whatsoever.
- (vii) The exercise price of each initial option issued under the Plan was the retail offer price included in the prospectus for the Initial Public Offering.
- (viii) For the initial options granted to employees and the Executive Director under the Plan, 20% will become exercisable after the first anniversary of listing on ASX and an additional 20% will become exercisable each anniversary of listing thereafter. The Company was listed on the ASX on 8 May 2002

Share based option payments

At the end of the year there were 950,000 (2003: 950,000) unissued ordinary shares in respect of which options were outstanding issued for the provision of services.

	2004			2003		
	Number of options	Exercise price \$	Expense for Year \$	Number of options	Exercise price \$	Expense for Year \$
Balance at beginning of year	950,000	-	-	-	-	-
- granted to R Grellman (Chairman) on appointment as non-executive director	-	-	26,256	500,000	0.40	15,608
- granted to M Hale for the provision of marketing services.	-	-	57,756	450,000	0.40	34,332
Balance at end of year	950,000	-	84,012	950,000	0.40	49,940
Exercisable at end of year:						
- R Grellman	165,000	0.40	-	-	-	-
- M Hale	300,000	0.40	-	150,000	0.40	-

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

18. CONTRIBUTED EQUITY continued

Parties to option agreement	R Grellman – Chairman	M Hale – Advertising and Marketing Consultant
Rights Granted and grant date	500,000 Share options granted on 27 November 02	450,000 Share options granted on 1 July 02
Option exercise price	Fixed at 40 cents per share	Fixed at 40 cents per share
Vesting period	165,000 on 27 November 2003 165,000 on 27 November 2004 170,000 on 27 November 2005 Options must be exercised no later than 5 years from vesting date.	Options vest at the rate of 12,500 per month from grant date. Options will be exercisable within 3 years of vesting in multiples of 10,000
Vesting requirements	No vesting conditions apply, options granted as part of remuneration package as chairman.	Options vest on continued supply of marketing consulting services to the company. .
Weighted average fair value of options at grant date	\$105,000	\$173,250
Expense for the year	\$ 26,256	\$ 57,756
Prior year's expense taken to account	\$ 15,608	\$ 34,332
Balance at the end of the financial year not yet expensed	\$ 63,136	\$ 81,162
Calculation of fair value of option	Valuation was made using the binomial method in accordance with the requirements of financial accounting standards. Calculations were based on the expected contractual life of the options using the average weekly historical share price of the company over the previous 12 months The expected volatility used was 0.708 with an interest-free risk rate of 5.05%. The market share price at date of grant was 38 cents	Valuation was made using the binomial method in accordance with the requirements of financial accounting standards. Calculations were based on the expected contractual life of the options using the average weekly historical share price of the company over the previous 12 months The expected volatility used was 0.708 with an interest-free risk rate of 5.05%. The market share price at date of grant was 64 cents

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

18. CONTRIBUTED EQUITY continued

c) Terms and condition of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

30 JUNE 2004	Notes	Consolidated		Cryosite Limited	
		2004 \$	2003 \$	2004 \$	2003 \$
19.RESERVES					
Share options reserve	19(a)	84,012	-	84,012	-
(a) Movements in share options reserve					
Balance at the beginning of year		-	-	-	-
Value of compensation benefit during the year	18(c)	84,012	-	84,012	-
Balance at end of year		84,012	-	84,012	-

The purpose of the share options reserve is to record the equity component of the equity based compensation scheme referred to in Note 18. In the prior year these amounts were included in contributed equity.

20.ACCUMULATED LOSSES					
Accumulated Losses	20(a)	(4,860,837)	(3,910,799)	(5,545,866)	(4,201,474)
(a) Movement in accumulated losses					
Balance at the beginning of year		(3,910,799)	(2,740,799)	(4,201,474)	(2,796,815)
Net loss attributable to members of Cryosite Limited		(950,038)	(1,170,000)	(1,344,392)	(1,404,659)
Balance at end of year		(4,860,837)	(3,910,799)	(5,545,866)	(4,201,474)

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

30 JUNE 2004	Notes	Consolidated		Cryosite Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
21.STATEMENT OF CASH FLOWS					
(a) Reconciliation of the net loss after tax to the net cash flows from operations					
Net (loss)		(950,038)	(1,170,000)	(1,344,392)	(1,404,659)
<i>Non-Cash Items</i>					
Depreciation and amortisation of non-current assets		283,514	255,143	283,046	254,675
Options expense		84,012	49,940	84,012	49,940
Net loss/(profit) on disposal of plant & equipment		537	(5,922)	537	(5,922)
Foreign Currency Gain		-	(968)	-	-
Changes in assets and liabilities					
(Increase)/decrease in trade and other receivables		(76,393)	(246,534)	(62,993)	(289,127)
Decrease/(increase) in inventory		2,376	(12,695)	2,376	(14,099)
(Increase)/decrease in other assets		(54,273)	(122,866)	(48,763)	(64,261)
(Decrease)/increase in trade and other creditors		(100,731)	197,010	275,181	416,561
Increase/(decrease) in unearned income		58,540	102,122	58,540	102,122
Increase/(decrease) in employee benefits		13,737	(8,433)	13,737	(8,433)
Net cash flow (used) in operating activities		(738,719)	(963,203)	(738,719)	(963,203)
(b) Reconciliation of cash					
Cash balance comprises:					
– cash on hand and at bank		176,369	235,477	176,369	235,477
– term deposits		1,900,000	1,400,000	1,900,000	1,400,000
Closing cash balance		2,076,369	1,635,477	2,076,369	1,635,477

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

30 JUNE 2004	Notes	Consolidated		Cryosite Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
22. EXPENDITURE COMMITMENTS					
(a) Lease expenditure commitments					
<i>(i) Operating leases (non-cancellable):</i>					
Minimum lease payments					
– not later than one year		8,749	125,988	8,749	125,988
– later than one year and not later than five years		-	8,749	-	8,749
– aggregate lease expenditure contracted for but not provided at balance date		8,479	134,737	8,479	134,737
Subsequent to the end of the year the property lease has been renewed for two years expiring on 25 July 2006.					
<i>(ii) Finance leases</i>					
The lease was repaid during the year:					
– not later than one year		-	1,258	-	1,258
– total minimum lease payments		-	1,258	-	1,258
– future finance charges		-	(103)	-	(103)
– lease liability		-	1,155	-	1,155
Current liability	14	-	1,155	-	1,155
(b) Operating expenditure commitments					
Operating expenditure commitments contracted for at balance date but not provided for:					
– not later than one year		69,000	69,000	69,000	69,000
– later than one year and not later than five years		-	69,000	-	69,000
		69,000	138,000	69,000	138,000

The operating expenditure commitment is in relation to an IT maintenance contract.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

30 JUNE 2004	Notes	Consolidated		Cryosite Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
23. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS					
Employee Benefits					
The aggregate employee benefit liability is comprised of:					
Accrued wages, salaries and on costs		-	17,767	-	17,767
Provisions (current)		36,646	22,909	36,646	22,909
		36,646	40,676	36,646	40,676

The company had an average of 10 (2003: 10) full time equivalent employees during the year. Superannuation contributions by the economic entity of 9% of employees' wages and salaries are legally enforceable in Australia.

24. CONTINGENT LIABILITIES

The Company is not aware of any contingent liabilities neither at the end of the financial year nor at the date of this report.

25. SUBSEQUENT EVENTS

The directors are unaware of any event or transaction that has occurred between the balance date 30 June 2004 and the date of this report, which had or may have a significant effect on the company.

26. EARNINGS PER SHARE

	2004	2003
Basic (loss) per share	(2.6) cents	(3.3) cents
Diluted (loss) per share	(2.6) cents	(3.3) cents
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net loss used in calculating basic and diluted earnings per share	(950,038)	(1,170,000)
Weighted average number of ordinary shares used in calculating basic earnings per share:	36,980,076	35,375,000
Effect of dilutive securities:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	36,980,076	35,375,000
Number of potential ordinary shares that are non-dilutive.	1,500,000	2,041,667

Notes to the Financial Statements continued

27. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified directors

Richard Grellman	Chairman (Non-executive)
Dr Peter French	Director (Non-executive)
Theodore Onisforou	Director (Non-executive)
Prof Ronald Penny	Director (Non-executive)
Gordon Milliken	Managing Director

(i) Specified executives

Due to the relatively small number of employees, apart from the Managing Director, there are no other executives with management authority.

(b) Remuneration of Specified Directors

Due to the size of the Company a Remuneration Committee has not been established. The Board determines the remuneration packages for Executive Director and senior employees. Remuneration levels are competitively set to attract and retain the most qualified and experienced directors and senior employees. Remuneration packages currently paid include fixed, performance-based and equity based components.

The shareholders determine, at the annual general meeting, the aggregate remuneration of Non-executive directors. The only retirement benefits payable to Non-executive Directors are statutory superannuation payments.

Specified Directors		Primary Salary & Fees	Post-Employment Superannuation	Equity Options	Total
		\$	\$	\$	\$
Richard Grellman	2004	45,871	4,129	35,000	85,000
	2003	22,936	2,064	20,417	45,417
Gordon Milliken	2004	72,135	52,865	5,628	130,628
	2003	73,211	51,789	-	125,000
Theodore Onisforou	2004	18,349	1,651	-	20,000
	2003	27,523	2,477	-	30,000
Prof Ronald Penny	2004	18,349	1,651	-	20,000
	2003	18,349	1,651	-	20,000
Dr Peter French	2004	18,349	1,651	-	20,000
	2003	18,349	1,651	-	20,000
Total Remuneration: Specified Directors					
	2004	173,053	61,947	40,628	275,628
	2003	160,368	59,632	20,417	240,417

Notes to the Financial Statements continued

27. DIRECTOR AND EXECUTIVE DISCLOSURES

(c) Remuneration options: Granted and vested during the year

No options were granted during the year. 250,000 options issued to each of Dr Peter French, Theodore Onisforou and Professor Ronald Penny under the employee share plan expired on 30 June 2004.

(d) Shares issued on exercise of remuneration options

No options were exercised and no shares were issued during the year as a result of remuneration options.

(a) Option holdings of specified directors

	Richard Grellman	Dr Peter French*	Theodore Onisforou*	Prof. Ronald Penny*	Gordon Milliken*	Total
Balance held at 1 July 2003	500,000	250,000	250,000	250,000	312,500	1,562,500
Granted as remuneration	-	-	-	-	-	-
Options exercised	-	-	-	-	-	-
Expired	-	(250,000)	(250,000)	(250,000)	-	(750,000)
Balance held at 30 June 2004	500,000	-	-	-	312,500	812,500

Options Vested at 30 June 2004

Total	165,000	-	-	-	125,000	290,000
Not exercisable	-	-	-	-	-	-
Exercisable	165,000	-	-	-	125,000	290,000

* Options issued under the employee share scheme.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

27. DIRECTOR AND EXECUTIVE DISCLOSURES

(f) Shareholdings of specified directors

Shares held in Cryosite Limited	Balance as at 1 July 2003 Ord.	Granted as remuneration Ord.	On exercise of options Ord.	Net change other* Ord.	Balance as at 30 June 2004 Ord.
Richard Grellman	50,000	-	-	12,500	62,500
Dr Peter French	721,892	-	-	66,756	788,648
Theodore Onisforou	8,215,061	-	-	1,316,281	9,531,342
Prof. Ronald Penny	780,990	-	-	66,667	847,657
Gordon Milliken	813,490	-	-	150,000	963,490
Total	10,581,433	-		1,612,204	12,193,637

* shares acquired under the rights issue.

(g) Loans to specified directors

There were no loans to specified directors, at the beginning of the year, during the year, or at the end of the year.

(h) Other transactions and balances with specified directors

There were no other transactions during year with the specified directors or with any director related entities.

28. AUDITOR'S REMUNERATION

Amounts received or due and receivable by Ernst & Young for:

- an audit or review of the financial report of the entity and any other entity in the consolidated entity
- for the 2002/2003 financial year
- for the 2003/2004 financial year
- Other assurance services
- Taxation compliance services

	Consolidated		Cryosite Limited	
	2004	2003	2004	2003
	\$	\$	\$	\$
	4,930	44,000	4,930	44,000
	49,737	-	49,737	-
	2,350	1,400	2,350	1,400
	22,141	15,700	22,141	15,700
	76,208	61,100	76,808	61,100

Notes to the Financial Statements continued

29. RELATED PARTY DISCLOSURES

Wholly-owned group transactions

Loans

Cryosite Distribution Pty Limited, the wholly-owned subsidiary of Cryosite Limited does not hold any cash in its own right. Therefore, all receipts and payments for this entity are made by Cryosite Limited, with the amounts charged against an intercompany loan account. No interest is payable on this balance.

Ultimate parent

Cryosite Limited is the ultimate parent company.

30. SEGMENT INFORMATION

The company operates in one business segment, being biological services, and one geographic segment, being Australia.

31. FINANCIAL INSTRUMENTS

a) Interest rate risk

The floating weighted average interest rate on the Company's at call bank accounts during the year was approximately 4.92% (2003: 4.75%). The fixed weighted average interest rate implicit in the lease liabilities during the year was 12% (2003: 12%). All other financial assets and liabilities are non-interest bearing.

b) Net fair values

The carrying values in the Statement of Financial Position approximate the fair value of all financial assets and liabilities of the Company.

c) Credit risk exposure

The Company's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Performance. There is no concentration of credit risk.

32. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The Company's management, in consultation with its auditors, are assessing the significance of these changes and preparing for their implementation. The directors are of the opinion that the proposed changes will affect the financial reports of the Company in the following area:

- Equity based compensation. Currently the Company expenses equity based compensation arrangements over the period from grant date to likely exercise date. Under AASB 2 Share-Based Payments, the Company will expense equity based compensation based arrangements over the period from grant date to vesting date. This will reduce the period over which the equity based compensation arrangements are expensed.

Independent audit report to members of Cryosite Limited

SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the company and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entity it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

1. examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
2. assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

AUDIT OPINION

In our opinion, the financial report of Cryosite Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Cryosite Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Douglas Bain
Partner

Sydney
30 August 2004

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

ASX Additional Shareholder Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 23 August 2004.

a) **Twenty largest shareholders**

The names of the twenty largest holders of quoted shares are:

	Listed ordinary shares	
	Number of shares	% of ordinary shares
Strategic Pooled Development Ltd	8,312,229	18.47
Westpac custodian Nominees Ltd	4,559,542	10.13
Merrill Lynch (Australia) Nominees Ltd	3,263,132	7.25
Robmar Investments Pty Ltd	1,979,200	4.40
Lost Ark Nominees Pty Ltd	1,672,890	3.72
All State Secretariat Ltd	1,454,584	3.23
PA Biologicals Limited	1,443,963	3.21
Sentra Investments Pty Ltd	1,219,113	2.71
Tonbar Pty Ltd	1,199,864	2.67
McRoss Developments Pty Ltd	1,125,000	2.50
Mrs Deborah Ann Kroger	896,184	1.99
Prof Ronald Penny	847,657	1.88
Dr Peter French	788,648	1.75
Everken Pty Ltd	745,047	1.66
All-States Finance Pty Ltd	723,815	1.61
Laydon Pty Limited	708,159	1.57
Mr Gordon Milliken	694,213	1.54
Mrs Julie Nettleton	694,213	1.54
Greenfield Company limited	522,910	1.16
SHR Pty Ltd	515,313	1.15
Mr Stephen Roberts	389,994	0.86
Total	33,755,670	75.00

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

ASX Additional Shareholder Information continued

b) Distribution of equity securities

The number of shareholders by size of holding.

		Ordinary Shares	
		Number of holders	Number of Shares
1	1,000	24	18,111
1,001	5,000	303	1,245,025
5,001	10,000	88	692,455
10,001	100,000	158	4,424,064
100,001	and over	57	38,625,801
Total		630	45,005,456

c) Substantial shareholders

The names of any substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Strategic Pooled Developments Limited has a relevant interest in 8,312,229 shares (18.47%) of the issued capital

d) Voting Rights

All ordinary shares carry one vote per share without restriction

e) Number of shareholders holding less than a marketable parcel

The number of shareholdings held in less than marketable parcels is 81.