

26/8/2015
Company Announcements Office
Australian Securities Exchange

Cryosite full year profit result

Appendix 4E, Annual report and Dividend announcement

Cryosite (ASX: CTE): Following is the Appendix 4E, Annual Report and dividend announcements.

Operating Result Summary

While revenue increased 4.5% to \$9.8m, profit before tax of \$607k was down \$71k from the previous corresponding period. The reduction in profit as previously advised, was a result of decisions made by the Board to continue focusing on its long term strategy by restructuring its senior management team; investing in sales, marketing and other initiatives to improve competitiveness in its existing operations and to develop additional revenue streams in new markets to position the Company for continuing growth performance in the following years.

Cash Position

A Company maintains a strong balance sheet with no debt and has \$4.2m cash on hand as at 30 June 2015. The Company continues to generate strong cash flows with \$1.4m cash inflow from operating activities for the period.

Dividends

As a result of the strength of the balance sheet and expected growth in the Company's operations the directors have determined that an unfranked final dividend of 0.5 (half cent) per share will be paid.

Key dates for the dividend payout are

- "Ex Dividend Payment" trading commences - 8th September 2015
- "Record Date" - last date for CTE Register - 10th September 2015
- Dividend payment Date - 1st October 2015

Andrew Kroger
Chairman

About Cryosite:

Cryosite (ASX: CTE) is a unique Australian biotech company that pioneered private autologous Cord Blood Banking in 2002, directed allogeneic Family Banking in 2011, and in 2014 has developed and commercialised methods for the cryopreservation and expansion of MCS's from umbilical cord tissue.

Cryosite also provides specialised Bio-repository, Clinical Trials Logistics, Commercial Drug Distribution, contract Cellular Therapies manufacturing and associated consultancy services to commercial clients both within Australia and internationally. Cryosite's facilities are NATA accredited (ISO15189, ISO17025) and its Cord Blood Stem Cell cryopreservation and storage laboratories are fully licensed by the TGA.

Australian Cord Blood Service
Clinical Trial Logistics
ATCC Distribution
Biorepository Services
Adult Stem Cell Storage

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Cryosite Ltd
ABN 86 090 919 476
Cryosite Distribution Pty Ltd
ABN 32 099 301 881

Cryosite is Licensed by
The Therapeutic Goods
Administration
License Number:
MI-18072008-LI-002488-11

Cryosite Limited

ABN 86 090 919 476

Appendix 4E

Full year report

Results for announcement to the market

1. Details of Reporting Period

The financial information contained in this report is for the year ended 30 June 2015. Comparative amounts (unless otherwise indicated) relate to the year ended 30 June 2014.

2. Results for Announcement to the Market

				\$A'000
2.1 Revenue from ordinary activities:	Up	4.5%	to	9,844
2.2 Profit from ordinary activities after tax attributable to members:	Down	10.0%	to	455
2.3 Net profit for the period attributable to members:	Down	10.0%	to	455

2.4 Dividends

The Board of Cryosite has on the 26th August 2015 determined and is pleased to announce the payment of an unfranked dividend of 0.5 (half cent) per ordinary share.

2.5 Key Dates:

Ex Dividend Payment: trading commences 8th September 2015
Record Date - last date: for CTE share register 10th September 2015
Dividend payment Date: 1st October 2015

2.6 Commentary on the results to the market:

The audited annual accounts are attached. Please refer to these for full results and commentary

9. NTA backing

	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	6.7 cents	12.5 cents

CRYOSITE LIMITED

ABN 86 090 919 476

Annual Report

for the year ended 30 June 2015

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Corporate Information

ABN 86 090 919 476

DIRECTORS

Andrew Kroger (Non-Executive Chairman)
Christina (Christy) Boyce (Non-Executive Director)
Graeme Moore (Executive Director)

COMPANY SECRETARY

Bryan Dulhunty (CoSA Life Science - Corporate)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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SOUTH GRANVILLE NSW 2142
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SHARE REGISTER

Link Market Services Limited
Level 8, 580 George Street
SYDNEY NSW, 2000
Telephone: +61 2 8260 7111

AUDITORS

Duncan Dovico Risk & Assurance Pty Limited
Level 12, 90 Arthur Street
NORTH SYDNEY NSW, 2060
Telephone: +61 2 9922 1166

INTERNET ADDRESS

www.cryosite.com
www.cryositeservices.com

Directors' Report

The directors present their report together with the financial statements on the consolidated entity (the Group) consisting of Cryosite Limited (the Company) and the entity it controlled for the year ended 30 June 2015.

DIRECTORS

The following people held the office of director during the year

Andrew Kroger (Non-Executive Chairman) - appointed 21/11/2011

Christina (Christy) Boyce (Non-Executive Director) - appointed 3/6/2013

Graeme Moore (Executive Director) - appointed 22/9/2008

Names, qualifications, experience and special responsibilities

Andrew Kroger, BEc, LLB Non-Executive Chairman

Mr Kroger has had a career in stockbroking, law and general management including two years running Forsayth Group in 1990 which was Australia's ninth largest gold producer at that time. Mr Kroger is the owner of Process Wastewater Technologies LLC, a company with its major business being in wastewater in the United States. Mr Kroger has a Bachelor of Economics and a Bachelor of Laws from Monash University. Mr. Kroger was appointed to the Cryosite Limited board in November 2011.

Christina (Christy) Boyce, BEc, MBA, GAICD, Non-Executive Director

Ms Boyce has over 20 years strategic consulting and management experience. She is currently a director Port Jackson Partners, a consulting firm providing strategic advice to Boards, CEOs and senior management. Prior to this, she worked at McKinsey & Co for 14 years, where she was a partner. Ms Boyce has worked extensively with companies on growth, strategy development and business restructuring across a range of industries including retail, telecommunications and consumer goods, in Australia and overseas. Christy is currently a Non-Executive Director of Monash IVF Group and Greencross Limited. She holds a Masters of Management (with distinction) from the Kellogg Graduate School of Management at Northwestern University and a Bachelor of Economics from the University of Sydney. She was appointed to the Board in June, 2013.

Graeme Moore, B.App.Sc (Biomed), MHA, Executive Director

Graeme Moore holds the position of Executive Director Operations and Business Development. Mr Moore has held positions as Chief Operating Officer and Quality and Regulatory Affairs Manager. Mr Moore joined Cryosite in July 2005 after a 20 year career in biomedical science, manufacture of therapeutic goods, quality management and regulatory affairs, including 9 years with the Australian Red Cross Blood Service. Mr Moore was appointed to the Board on 22 September, 2008.

COMPANY SECRETARY

Bryan Dulhunty, BEc, CA

Company Secretarial Services for Cryosite Limited are provided by CoSA Life Science - Corporate, an independent Company Secretarial firm specialising in the Life science industry.

Mr Dulhunty founded CoSA in 2001 after extensive experience in a major international accounting firm and both large and small publicly listed entities. Mr. Dulhunty is has been Executive Chairman, Managing Director non-executive director and company secretary of a number of listed and unlisted biotechnology companies

Directors' Report continued

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

Director	Ordinary shares	Options over ordinary shares
Andrew Kroger	11,975,816	-
Graeme Moore	-	300,000
Christina Boyce	100,636	-

EARNINGS PER SHARE

Basic earnings per share	0.97 cents (2014: 1.08 cents)
Diluted earnings per share	0.96 cents (2014: 1.07 cents)

DIVIDENDS

A final unfranked dividend for the year ended 30 June 2014 of 1.0 cents per ordinary share was declared and paid during the financial year. An interim unfranked dividend of 0.5 cents per ordinary share in respect of the 2015 financial year was declared and paid during the financial year.

The total dividends declared were \$702,894 (2014: \$700,693). No further dividends have been recommended at the date of this report

CORPORATE INFORMATION

Corporate structure

Cryosite Limited is a company limited by shares that is incorporated and domiciled in Australia. Cryosite Limited is the ultimate parent company. Cryosite Limited has prepared a consolidated financial report which incorporates Cryosite Distribution Pty Limited, a company incorporated and domiciled in Australia that it controlled during the financial year.

Nature of operations and principal activities

Cryosite (ASX: CTE) is a unique Australian biotech company that pioneered private autologous Cord Blood Banking in 2002, directed allogeneic Family Banking in 2011, and in 2014 has developed and commercialised methods for the cryopreservation and expansion of MCS's from umbilical cord tissue.

Cryosite also provides specialised Bio-repository, Clinical Trials Logistics, Commercial Drug Distribution, contract Cellular Therapies manufacturing and associated consultancy services to commercial clients both within Australia and internationally. Cryosite's facilities are NATA accredited (ISO15189, ISO17025) and its Cord Blood Stem Cell cryopreservation and storage laboratories are fully licensed by the TGA.

The company's highly specialised biologistics-based services are grouped into two reporting segments:

- Biological Services, and
- Warehousing & Distribution Services.

Biological Services

Biological Services included the private cord blood and tissue banking service, adult stem cell storage, bioarchive & biorepository services and contract GMP manufacturing service.

Warehousing & Distribution Services

Distribution Services included the clinical trials logistics service, commercial drug distribution and the other storage and distribution based services including the importation and distribution of laboratory diagnostics products.

Directors' Report continued

Employees

The consolidated entity has 37 full-time equivalent employees as at 30 June 2015 (2014: 34 employees). Cryosite recognizes the value of diversity in the workplace and is committed to providing equal opportunity for all its staff. Over 64% of current employees are female. Of its 37 employees there are numerous religions and cultures and where possible offer flexible work practices and work life balance as a key retention tool. Cryosite is also committed to providing a workplace free from any form of harassment, bullying and discrimination.

OPERATING RESULTS FOR THE YEAR

The Directors have pleasure in reporting to shareholders the results for the last year's operations. Profit for the year after income tax was \$455,170 (2014: \$505,602).

The financial year was one of significant change and activity for Cryosite. Initiatives included the introduction in August 2014 of Umbilical Cord Tissue Banking to extend the company's service offering in the rapidly evolving stem cell sector. Cryosite also increased focus and investment in our digital capabilities and marketing initiatives. In December 2014 Cryosite launched a new website platform for our Cord Blood and Tissue business as well as launching our e-commerce platform enabling commercial transactions to be actioned through an ecommerce hub. During the second half of the year Cryosite increased its marketing investment not only in the digital arena but also in traditional areas to help build brand awareness and penetration in the cord blood and tissue category and ultimately our market share. Some of these initiatives included investment in Search Engine Optimisation and Search Engine Marketing. This also included investment in online offers via our web page to increase conversion, as well as an increase in affiliate marketing with other business in the digital space. Cryosite also increased its investment in Expos and Conventions as well as main stream magazine advertising in both the digital and traditional segments.

During the year Cryosite commenced the construction of our Corporate Website which will be focused on driving both our Warehousing and Distribution and Biological Services segments. It will be launched in the first half of the 2016 financial year. The year was also where Cryosite embarked on a journey of "test and learn". Testing initiatives to understand their impact and what are the key levers in building growth, prior to full launches to ensure we were focused on an acceptable return on investment. These insights will be of great value in building our strategic plans moving forward.

In January 2015, the Company made changes to its executive team and structure appointing Joseph Saad as CEO. Joseph has a significant background in managing large corporations and marketing skills and was recruited to build on our corporate disciplines as well as building our marketing and people capabilities. Business process improvements and disciplines will also be a focus with the introduction of an S&OP process as well as monthly Operations Meetings. Goal driven KPI's will also be implemented as will Employee rewards and recognition programs aimed at driving improved productivity. These changes to the management structure incurred one off costs.

Investment in the above areas, as well as strong competitor activity has led to a financial year performance in line with the previous year. Stagnant Core Blood and Tissue sales, the loss of some business, have all contributed to the result.

The executive team believe that the current strategies of building our marketing capabilities as well as investing further into doctors and hospitals is essential if we are to achieve sustainable growth both in the short and longer term. There are a number of risks and opportunities that continue to face the business moving forward and we envisage 2016 financial year to be one of consolidation.

The Company generated a positive \$1,416,902 operating cash flow and maintained a healthy cash balance of \$4,167,302 at June 30th, notwithstanding a \$685,863 dividend payment and \$2,342,978 return of capital to shareholders.

Directors' Report continued

REVIEW OF OPERATIONS

During 2015 the Company made significant investments in sales & marketing to improve competitiveness, particularly in the competitive cord blood market. These costs, together with one-off expenses associated with the employment costs of our new CEO and a \$281,377 reduction in revenue associated with the loss of distribution contracts, were largely off-set by strong performances in Cryosite's existing Warehouse and Distribution Services and in the Biological Services segment and the success of new service offerings in Cord Tissue. This explains the short term decline in Group's EBITDA performance as reflected in the financial report.

Biological Services Segment

Cord blood & Tissue

Cryosite pioneered private banking of cord blood to treat a range of hematological conditions in Australia in 2002. At that time Cryosite was the only TGA licensed cord blood bank, and the stem cells were only available for autologous use. The next significant milestones in the Australian cord blood market occurred in 2011 when Cryosite obtained the first TGA license for the directed allogeneic release of cord blood ("Family Banking"), and again in 2014 when Cryosite offered patent protected methodology for banking umbilical cord tissue.

Cryosite's investment in R&D and advanced GMP cell processing capability during 2014 enabled the successful commercialization of a patent protected method for banking mesenchymal stem cells (MSC's) from umbilical cord tissue in 2015. MSC banking complements Cryosite's existing business model and has added an important new revenue stream to Cryosite's existing cord blood operations due to significant uptake rates from parents choosing to bank their child's cord blood.

In 2015, Cryosite has seen increased competition and discounting within the cord banking sector, and Cryosite has again needed to invest in additional sales and marketing capacity to maintain its 2013 and 2014 sales. While these factors led to a reduction in revenue and operating profit from cord blood services, the contribution from cord tissue services resulted in a significant increase in Cryosite's Cord Blood and Tissue Services relative to last year.

Contract GMP manufacturing

The extension of Cryosite's current GMP manufacturing capabilities to include advanced stem cell processing and expansion has also enabled Cryosite to identify new business opportunities and expand the range of specialized services it can provide to commercial clients in both the Biological Services and Warehouse & Distribution Services segments. These services now include contract Good Manufacturing Practice (GMP) manufacturing of specialized cell therapy products and the provision of associated consultancy services. Cryosite's expertise in the storage and distribution of frozen and cryogenic biologics and medicines, clinical trials logistics and the Australian regulatory environment, enables the Company to also provide clients with sophisticated storage and distribution options for their manufactured products.

Revenue and operating profit from contract GMP manufacturing and associated services significantly increased in 2015 and is anticipated to continue to make an important contribution to Biological Services revenue and segment operating profit during 2016.

Bio repository

The trend in types of material under management by the Biorepository service is consistent with the range of specialized "high end" services Cryosite is able to provide. Client material now often comprises cell and seed banks, modified bacterial and virus stock, and GMOs intended for use in the manufacture of phase 1/phase 2 investigational products for international clinical trials, and research material that may have considerable future commercial value. This material requires GMP level storage, distribution and traceability as its quality and commercial value may be compromised by loss of environmental control or failure to anticipate long term regulatory requirements. In addition to a comprehensive range storage options, Cryosite also offers segregation by risk category and value added services including assistance with risk assessment, import, export and containment requirements, temperature controlled distribution and regulatory advice.

Directors' Report continued

Bio repository continued

Revenue and operating profit from Biorepository services increased in 2015. The revenue improvement has been primarily driven through the provision of higher value Biorepository services to existing clients, and continued provision of contract manufacturing services to existing clients. As stated above, Cryosite is well positioned to support clients' changing needs for more comprehensive and integrated services.

Segment Summary

In summary, Biological Services segment results were encouraging. Revenue and operating profit increased significantly during 2015 due to the success of Cryosite's new cord tissue service and continuing contract manufacturing services that compensated for the decrease in operating profit from cord blood services due to costs associated with addition cord blood sales and marketing activities.

Warehousing and Distribution Segment

Clinical Trials

Cryosite's Clinical Trials Logistics service has established itself over many years as a high quality and cost effective partner for local and international trial sponsors (pharmaceutical and biopharmaceutical companies) and Contract Research Organizations (CROs) for the warehousing and distribution of investigational drugs. Cryosite's expertise in cold, frozen and cryogenic storage and distribution has enabled the Company to successfully support client's changing needs for management of biologic based drugs, and for these services to comply with applicable international standards. By leveraging the expertise and systems in its Biological Services segment, Cryosite has also been able to provide an expanded range of value added services, including complex protocol development and process qualification, which are particularly applicable to the global growth in cold chain biologic based drugs. It should be noted that these sophisticated services are able to be provided cost effectively as they comprise routine operations within Cryosite's Biological Services segment.

While the number of individual clinical trials under management has increased, it is the ability to identify and meet client's demands to support highly customized trials of increasing complexity, and the provision of value added services, that has enabled Clinical Trials operations to maintain their contribution to segment revenue. During 2015 Cryosite realized significant new revenue and operating profits from several new global clients requiring highly specialized Clinical Trials management services. The development of these new services contributed to the net increase in revenue and operating profit compared to the previous year.

Commercial drug distribution

Storage and distribution of a highly temperature sensitive commercial drugs again made an important contribution to Warehousing and Distribution results in 2015.

Segment Summary

In summary, results for the Warehousing & Distribution Services segment reflected both incremental organic growth in Cryosite's traditional Clinical Trials operations and specialized commercial drug distribution, and significant new revenue and operating profits from new clients requiring highly specialized Clinical Trials management services. Despite the loss of a portion of our distribution business these new services enabled the segment to provide similar revenue, and an increase in operating profit, compared to the previous year.

BUSINESS GROWTH AND OUTLOOK

Competitive Environment

Business outlook summary

Cryosite is in a unique position offering the 6 following services within the Warehousing and Distribution and Biological segments:

- Cord Blood and Tissue Banking
- Clinical Trial Logistics
- Bio Repository Services
- Commercial Drug Distribution
- Contract GMP Manufacturing
- Consultancy Services

No other company in our segments offers the same array of services under the one roof.

Directors' Report continued

Business outlook summary continued

In the Cord Blood and Tissue market there are 2 other major competitors. Both are privately owned companies. The best information we have at our disposal suggests that Cryosite is the second largest player in cord blood and tissue banking with a market share of approximately 35%.

Total Market penetration for the category is around 1% of the annual birth rate. Cryosite's penetration is around 0.3%. Our challenge as a business and as a category is to reach the penetration levels of other developed countries which ranges between 3-5%. Awareness levels are still relatively low for the category.

As stated the market has been relatively static over the past 10 years. Outside of peaks in the birth rate driven by Government incentives such as the baby bonus, the category has been relatively stable and inherently linked to the national birth rate. One off competitor events such as discounting, the introduction of tissue banking, family banking has resulted in market share movement from one player to the other but has not resulted into real category growth.

The executive team believes that the current course of building our marketing capabilities as well as investing further into building stronger relationships with professional stakeholders is essential in the short term to grow the business, and see the 2016 financial year of one of consolidation of this platform. There are a number of risks and opportunities that continue to face the business moving forward but at this stage we envisage some growth in our Cord Blood and Tissue business.

While traditional operations within the Biological and Warehousing & Distribution Service segments will be subject to an increasingly competitive business environment during 2016, both segments are expected to provide incremental organic growth due to the pursuit of new clients in these areas. Of note was the acquiring of a number of smaller new accounts which has assisted in minimising the loss of other distribution business.

The past year has seen Cryosite identify and implement new initiatives in both our Biological and Warehousing and Distribution segments. The Biological Services segment now provides cord tissue MSC banking to parents, and specialised contract GMP manufacturing and associated consultancy services to therapeutic and regenerative medicine companies involved in the development and commercialisation of proprietary technologies. The Warehousing and Distribution segment now provides specialized commercial drug distribution. The development and launch of our Corporate Website in the first half of the new financial year will also increase our exposure to potential clients as well as providing a platform to implement an outreach program. These initiatives are expected to position the Company to maintain growth in the longer term.

SHARE OPTIONS

As at the date of this report, there were 300,000 (2014: 300,000) unissued ordinary shares under options. Refer to the remuneration report for further details of the options outstanding. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than detailed in the above there were no significant changes in the state of affairs of the Group during the year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date that would have a material effect on the operations of the consolidated entity.

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 business units will allow the Company to strengthen its market position during the next financial year.

Directors' Report continued

ENVIRONMENTAL REGULATIONS

The Company provides a range of services that require compliance to a variety of regulatory and statutory bodies, including the Therapeutic Goods Administration (TGA), the Department of Agriculture, Fisheries and Forestry (DAFF), the NSW Department of Health, and the Office of the Gene Technology Regulator (OGTR). Additionally, the Company must comply with the quality system requirements of many of its customers. The Company has implemented a company-wide quality management system to ensure that it meets or exceeds the requirements of all these interests. Cryosite also holds accreditation for ISO 15189 (Medical laboratories) and ISO/IEC 17025 (testing and calibration laboratories) from Australian National Association of Testing Authorities (NATA).

There have been no significant known breaches of the consolidated entity's licence conditions or any regulations to which it is subject. The Company, to the best of its knowledge, is not subject to any specific environmental regulations.

BUSINESS RISKS

There is a great deal of research activity being undertaken in the stem cell area, both embryonic and adult. It is possible that research may uncover new therapies to supersede the current established uses of cord blood stem cells thus affecting the number of parents who might consider private cord blood storage.

Most of the services that Cryosite provide to generate income require some form of statutory licensing or compliance authority. The failure by Cryosite to attain and maintain such licences and approvals would have a significant negative effect on the Company's ability to continue to provide such services and to maintain its viability. As referred to in other parts of this report, Cryosite is committed to mitigating risks in this area by the implementation and maintenance of a company-wide Quality Management System.

INSURANCE OF DIRECTORS AND OFFICERS

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.

In addition to the above, the Directors and certain Officers of the Company have entered into a Deed of Indemnity and Access confirming the Company's obligation to maintain an adequate Director and Officer Liability insurance policy and confirming the individual Directors' and Officers' right to access board papers and other Company documents. In return, the individual Directors and Officers have agreed to allow the Company to conduct the case for the defence should the event arise.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an Officer or Auditor of the Company or of any related body corporate against a liability incurred as such an Officer or Auditor.

REMUNERATION REPORT

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the three executives in the Parent and the Group receiving the highest remuneration.

This has been audited by Duncan Dovico Risk & Assurance Pty Limited and is included within the scope of the audit report on pages 11-14.

Directors' Report continued

Remuneration philosophy

The Company recognises the importance of structuring remuneration packages of its key management personnel so as to attract and retain people with the qualifications, skills and experience to help the Company achieve the required objectives. However, the Company understands that whilst it is still in the development phase of its growth, a prudent position must be observed in the total remuneration expense.

A fixed remuneration package is determined by the Chairman for the Managing Director or CEO. Any additional compensation is determined by the Board as deemed appropriate.

Non-Executive Directors

Total remuneration paid to non-executive directors is determined by the Board from time to time for presentation to and resolution by shareholders at the Annual General Meeting. The current maximum aggregate remuneration paid to non-executive directors is \$350,000 per year.

The directors are paid a set amount per year and apart from reimbursement of expenses incurred on the Company's behalf, are not eligible for any additional payments.

Executive directors and other key management personnel are employed on rolling contracts.

Any options that have vested will be forfeited, if not exercised, within three months of cessation of employment. The Company may terminate the employee's contract without notice if serious misconduct has occurred. Where termination with cause occurs, the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause, any options that have vested but not been exercised will be forfeited.

Due to the size of the Company, a Remuneration Committee has not been established. The Company does compare remuneration paid to key management personnel with other similar companies to ensure consistency.

Directors' Report continued

Key Management Personnel

Details of the nature and amount of each element of remuneration for key management personnel of the Company which includes those key management personnel receiving the highest compensation for the financial year are as follows:-

Andrew Kroger	Chairman (Non-executive)
Christina Boyce	Director (Non-executive)
Joseph Saad	Chief Executive Officer (Part year)
Graeme Moore	Executive Director
Mark Marshall	Chief Financial Officer

Due to the relatively small number of employees, apart from Joseph Saad, Graeme Moore and Mark Marshall, there were or are no other executives having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly during the current year.

COMPENSATION FOR KEY MANAGEMENT PERSONNEL

	Short term benefits		Post-employment benefits	Other long term benefits	Share-based payments	Termination benefits	Total
	Salary & Fees	Other cash benefits	Super-annuation	Long service leave	Options		
	\$	\$	\$	\$	\$		\$
Year ended 30 June 2015							
Non-executive Directors							
Andrew Kroger	75,000	-	7,125	-	-		82,125
Christina Boyce	60,000	-	5,700	-	-		65,700
Sub-total: non-executive directors	135,000	-	12,825	-	-		147,825
Executive directors							
Graeme Moore (ii)	263,237	16,500	25,007	10,030	-		314,774
Other key management personnel							
Joseph Saad (i)	108,974	-	10,353	-	-		119,327
Mark Marshall	116,900	-	33,443	-	-		150,343
Sub-total executive KMP	489,111	16,500	68,813	10,030	-		584,444
Total	624,111	16,500	81,628	10,030	-		732,269

- (i) Where directors or key personnel resigned or were appointed during the year payments shown above are for the period served.
- (ii) Includes one-off \$87,055 payment made during the year as recognition for the period Mr Moore served as interim CEO.

Directors' Report continued

COMPENSATION FOR KEY MANAGEMENT PERSONNEL CONTINUED

	Short term benefits	Post-employment benefits	Other long term benefits	Share-based payments	Termination benefits	Total
	Salary & Fees	Other cash benefits	Super-annuation	Long service leave	Options	
	\$	\$	\$	\$	\$	\$
Year ended 30 June 2014						
Non-executive Directors						
Andrew Kroger	75,000	-	6,938	-	-	81,938
Christina Boyce	60,000	-	5,563	-	-	65,563
Sub-total: non-executive directors	135,000	-	12,501	-	-	147,501
Executive directors						
Gordon Milliken(i) (ii)	226,174	25,000	34,771	35,733	-	321,678
Graeme Moore	182,019	21,600	16,837	3,044	-	223,500
Other key management personnel						
Mark Marshall (i)	67,332	-	20,321	-	-	87,653
Philip Alger (i) (ii)	59,557	-	30,640	20,271	-	110,468
Sub-total executive KMP	535,082	46,600	102,569	59,048	-	743,299
Total	670,082	46,600	115,070	59,048	-	890,800

- (i) Where directors or key personnel resigned or were appointed during the year payments shown above are for the period served.
- (ii) Amounts paid are inclusive of eligible termination payments paid in respect of the period of service.

OPTIONS GRANTED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2015

There were no options granted during the year (2014: Nil).

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

	Graeme Moore No	-	Total No.
Balance held at 1 July 2014	300,000	-	300,000
Balance held at 30 June 2015	300,000	-	300,000

* Options issued under the Employee Share Options Scheme.

	Graeme Moore No	Philip Alger No.*	Total No.
Balance held at 1 July 2013	300,000	220,000	520,000
Options Exercised	-	(220,000)	(220,000)
Balance held at 30 June 2014	300,000	-	300,000

* Options issued under the Employee Share Options Scheme.

Directors' Report continued

OPTIONS VESTED OF KEY MANAGEMENT PERSONNEL

	Graeme Moore No. *	-	Total No.
Balance vested at 1 July 2014	300,000	-	300,000
Options exercised	-	-	-
Balance vested at 30 June 2015	300,000	-	300,000
Exercisable	300,000	-	300,000

* Options issued under the Employee Share Options Scheme.

	Graeme Moore No. *	Philip Alger No. *	Total No.
Balance vested at 1 July 2013	300,000	220,000	520,000
Options exercised	-	(220,000)	(220,000)
Balance vested at 30 June 2014	300,000	-	300,000
Exercisable	300,000	-	300,000

* Options issued under the Employee Share Options 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:

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").

The Cryosite Board will determine the number of share options granted to each eligible participant.

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. Options will be issued for no consideration.

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.

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.

Directors' Report continued

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Shares held in Cryosite Limited	Balance 1 July 2014 Ord.	Balance on appointment/ (resignation) Ord.	On market purchases Ord.	Balance 30 June 2015 Ord.
Andrew Kroger	11,706,943	-	268,873	11,975,816
Christina Boyce	60,636	-	40,000	100,636
Joseph Saad	-	-	-	-
Graeme Moore	-	-	-	-
Mark Marshall	-	-	-	-
Total	11,767,579	-	308,873	12,076,452

Shares held in Cryosite Limited	Balance 1 July 2013 Ord.	Balance on appointment/ (resignation) Ord.	On market purchases Ord.	Balance 30 June 2014 Ord.
Andrew Kroger	10,706,943	-	1,000,000	11,706,943
Christina Boyce	60,637	-	-	60,637
Gordon Milliken	1,290,415	(1,290,415)	-	-
Graeme Moore	-	-	-	-
Philip Alger	-	-	-	-
Total	12,057,995	(1,290,415)	1,000,000	11,767,580

LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans to key management personnel at the beginning of the year, at any time during the year, or at the end of the year.

OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL

There were no other transactions during year with key management personnel or with any key management personnel related entities.

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
Andrew Kroger	8	8
Christina Boyce	8	8
Graeme Moore	8	7

Directors' Report continued

PROCEEDING ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporate Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceeding have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION AND NON-AUDIT SERVICES

The directors have received the auditor's independence declaration which is included on Page 18 of this report.

No director of Cryosite is currently or was formerly a partner of Duncan Dovico Risk and Assurance Pty Ltd.

Non-audit services were provided by the entity's auditor, Duncan Dovico Risk and Assurance Pty Ltd during the financial year. Details of the services provided are disclosed in Note 27 of the Financial Statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services disclosed in Note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non audit services have been reviewed and approved to ensure that they do not impact the integrity or objectivity of the auditor;

None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Graeme Moore
Director

Date: 26TH August 2015



Auditors' Independence Declaration

In accordance with section 307C of the Corporations Act 2001, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there has been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cryosite Limited and its controlled entity during the year.

DUNCAN DOVICO RISK & ASSURANCE PTY LIMITED

A handwritten signature in black ink, appearing to read "R. Megale".

Rosemary Megale
Director

Sydney, 26th August 2015.

Corporate Governance Statement

Cryosite is committed to implementing the highest possible standards of corporate governance. In determining what those high standards should involve, Cryosite has turned to the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (ASX Principles) and has a corporate governance framework that reflects those recommendations within the structure of the Company.

The Board of Cryosite approved an updated series of policies and charters in line with the amendments to the ASX Principles. The Company's policies and charters together form the basis of the Company's governance framework were in place for the financial year ended 30 June 2015 and to the date of signing of the directors' report.

Within this framework:

- the Board of Directors is accountable to shareholders for the performance of the Company;
- the Company's goals to achieve milestones are set and promulgated;
- the risks of the business are identified and managed, and
- the Company's established values and principles underpin the way in which it undertakes its operations.

The Company has in place an entrenched, well developed governance culture which has its foundations in the ethical values that the Board, management and staff bring to the Company and their commitment to positioning the Company as a leader in its field.

In certain instances, due to the size and stage of development of Cryosite and its operations, it may not be practicable or necessary to implement the ASX Principles in their entirety. In these instances Cryosite has identified the areas of divergence.

In accordance with its Shareholder Communications Policy, Cryosite has made its corporate governance policies and charters publicly available on its website (www.Cryosite.com).

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 consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; 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.
- (2) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
- (3) This declaration has been made after receiving the declarations required to be made to directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

On behalf of the Board



Graeme Moore
Director

Date: 26TH August 2015

Consolidated Statement of Profit and Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$	2014 \$
Sale of goods and rendering of services		9,594,375	9,171,014
Other revenue	5	249,480	250,182
Revenues		9,843,855	9,421,196
Expenses			
Finance costs	6(a)	(2,420)	(6,600)
Costs of providing services		(4,807,095)	(4,558,229)
Marketing expenses		(693,806)	(627,365)
Occupancy expenses		(628,515)	(658,677)
Administration expenses		(3,105,449)	(2,892,011)
Total expenses		(9,237,285)	(8,742,882)
Profit from continuing operations before income tax		606,570	678,314
Income tax (expense)benefit	7	(151,400)	(172,712)
Profit from continuing operations after income tax		455,170	505,602
Net Profit attributable to members of the company		455,170	505,602
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		455,170	505,602
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company		Cents	
Basic earnings per share	8	0.97	1.08
Diluted earnings per share	8	0.96	1.07

The above consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2015

	Notes	2015 \$	2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	10	4,167,302	6,252,193
Trade and other receivables	12	1,752,492	1,831,533
Inventories	13	90,459	61,984
Prepayments	14	255,688	144,465
Total Current Assets		6,265,941	8,290,175
Non-current Assets			
Trade and other receivables	15	560,502	420,879
Deferred tax asset	7 (c)	449,776	603,373
Plant and equipment	17	1,456,641	1,622,665
Intangible assets	18	389,895	255,310
Total Non-current Assets		2,856,814	2,920,227
TOTAL ASSETS		9,122,755	11,192,402
LIABILITIES			
Current Liabilities			
Trade and other payables	19	882,308	1,094,075
Unearned income	20	347,165	322,284
Provisions	22	532,344	448,415
Total Current Liabilities		1,761,817	1,864,774
Non-current Liabilities			
Trade and other payables	19	442,350	396,850
Unearned income	21	3,108,217	2,550,050
Provisions	22	265,936	245,591
Total Non-current Liabilities		3,816,503	3,192,491
TOTAL LIABILITIES		5,578,320	5,057,265
NET ASSETS		3,544,435	6,135,137
EQUITY			
Contributed equity	23	5,861,788	8,204,766
Share option reserves	24	239,118	239,118
Accumulated losses	23(a)	(2,556,471)	(2,308,747)
TOTAL EQUITY		3,544,435	6,135,137

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2015

	Attributable to equity holders of the company			
	Contributed capital	Accumulated losses	Share options reserves	Total equity
	\$	\$	\$	\$
CONSOLIDATED				
At 1 July 2014	8,204,766	(2,308,747)	239,118	6,135,137
Total comprehensive income for the year	-	455,170	-	455,170
<i>Transactions with owners in their capacity as owners</i>				
Return of Capital	(2,342,978)	-	-	(2,342,978)
Equity dividends declared	-	(702,894)	-	(702,894)
At 30 June 2015	5,861,788	(2,556,471)	239,118	3,544,435
At 1 July 2013	8,138,766	(2,113,656)	239,118	6,264,228
Total comprehensive income for the year	-	505,602	-	505,602
Proceeds from shares issued (Options exercised)	66,000	-	-	66,000
<i>Transactions with owners in their capacity as owners</i>				
Equity dividends declared and paid	-	(700,693)	-	(700,693)
At 30 June 2014	8,204,766	(2,308,747)	239,118	6,135,137

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2015		Notes	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers inclusive of GST			10,373,020	9,304,742
Payments to suppliers and employees inclusive of GST			(9,016,280)	(7,780,481)
Interest received			62,582	67,328
Interest paid			(2,420)	(6,600)
Net cash flows from operating activities	11		1,416,902	1,584,989
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of plant and equipment	17		(480,161)	(427,670)
Intellectual Property Licence			-	(255,310)
Software Development Costs			(146,139)	-
Interest received – term deposits			153,348	207,729
Net cash flows (used in) investing activities			(472,952)	(475,251)
CASH FLOWS FROM FINANCING ACTIVITIES				
Equity dividend paid			(685,863)	(700,642)
Proceeds from share issue (options exercised)			-	66,000
Return of Capital			(2,342,978)	-
Net cash flows (used in) financing activities			(3,028,841)	(634,642)
Net (decrease)/ increase in cash and cash equivalents			(2,084,891)	475,096
Cash and cash equivalents at beginning of year			6,252,193	5,777,097
Cash and cash equivalents at end of year	10		4,167,302	6,252,193

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

1 CORPORATE INFORMATION

The financial report of Cryosite Limited and the controlled entity (the Group) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors on 25 August 2015.

Cryosite Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except when otherwise stated.

(a) Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Changes in accounting policy, accounting standards and interpretations.

(i) New standards effective

The accounting policies adopted are consistent with those of the previous financial year except the following which the Group adopted from 1 July 2014:

- AASB 2012-3 Amendments to AASB 132– Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB 2014-1 Amendments to Australian Accounting Standards

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(ii) Cash flow classification

During the financial year a component of interest received from long term contracts was reclassified from investing activities to operating activities. The classification of this component of interest received more appropriately reflects the nature of the interest income and has been retrospectively applied. The reclassification has resulted in the reduction in amounts disclosed as interest received (operating activities) and an increase in amounts disclosed as interest received (investing activities) of \$NIL in the 2015 financial year (2014:\$42,453).

(iii) Receivable and unearned revenue

The accounting policies previously adopted in respect of the accounting of implied interest on long term contracts resulted in an accrual reflecting the present value of this component being recorded as a receivable with an offsetting amount recorded as unearned revenue (liabilities). This accounting policy was altered in the current financial year such that the amounts are no longer accounted for. This change in accounting policy more appropriately reflects the principles that govern the group's revenue recognition policies. The amount of the adjustment resulted in a decrease in assets and liabilities with no change to net assets as outlined below. The policy has been retrospectively applied in the current period and reflected in all comparative disclosures. The impact of this change on the financial report is as follows:

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(iii) Receivable and unearned revenue continued

(i) *Statement of Comprehensive Income*
No impact assessed.

(ii) *Statement of Financial Position*

	2015	2014
<u>Current Assets</u>		
Debtors	(34,084)	(65,762)
<u>Non- Current Assets</u>		
Debtors	(337,710)	(375,316)
Total Assets	<u>(371,794)</u>	<u>(441,078)</u>
<u>Current Liabilities</u>		
Unearned revenue	(34,084)	(70,378)
<u>Non- Current Liabilities</u>		
Unearned revenue	(337,710)	(370,700)
Total Liabilities	<u>(371,794)</u>	<u>(441,078)</u>
Net Assets	<u>-</u>	<u>-</u>

(iii) *Statement of Cash Flows*
No impact on cash flows assessed.

(iv) *Earnings per Share*
No impact assessed on earnings per share or diluted earnings per share.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Cryosite Limited and its subsidiary ('the Group') as at 30 June each year.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The financial statements of the subsidiary are prepared for the same reporting year as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Cryosite Limited are accounted for at cost in the separate financial statements of the parent entity, less any impairment charges.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

(d) Foreign currency translation

Both the functional and presentation currency of Cryosite Limited and its Australian subsidiary is Australian dollars (A\$). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

(e) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant & equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Major depreciation rates are:	2015	2014
- Leasehold improvements:	Lease term	Lease term
Plant and equipment:		
- Fixtures and fittings	5 – 10 years	5 – 10 years
- Information technology	2 - 2.5 years	2 - 2.5 years
- Warehouse equipment	4 - 10 years	4 - 10 years
- Office furniture & equipment	2.5 – 8 years	2.5 – 8 years
Plant & equipment under lease	5 years	5 years

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

(f) Intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

(f) Intangible assets continued

Licence fees

Where licences are acquired for the purposes of assisting in research and development or for the entity's use of patented techniques or processes in conducting operations, the costs are capitalised. Licenses acquired during the financial year have been assessed as having a useful life in line with that of the underlying patent and associated methodologies.

The assessment of useful life is reviewed annually by the Board to determine whether the assumptions made continue to be appropriate and supportable. If not, the useful life assessment is changed on a prospective basis.

(g) 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. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(h) Trade and other receivables

Trade receivables (current), which generally have 30 day terms, are recognised initially at fair value less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis and individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the group may not be able to collect the receivable.

Trade receivables (non-current), which generally have terms in excess of 24 months, 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 13.9% (2014: 13.9%).

(i) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(j) Trade and other payables

Trade and other payables are carried at amortised costs and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Employee leave benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. Unused sick leave on termination of employment is forfeited.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(k) Employee leave benefits continued

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal, or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Share-based payment transactions

The group provides benefits to employees (including directors) of the Group in the form of share based payment transactions, whereby the employees render services in exchange for rights over shares ('equity-settled transactions') under the Employee Share Option Plan (ESOP) or individually negotiated share based payment arrangements.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Cryosite Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(m) Share-based payment transactions continued

cancelled award, and designated as a replacement award on the date that it was granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(n) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(o) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group 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 from cord blood services is recognised in the accounting period in which the services are rendered. Where the Group has a long term contract with its customers to provide cord blood services, a receivable is recognised at its net present value with a corresponding amount recognised as unearned income in the statement of financial position (Refer Note 20 and 21).
- Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.
- Dividends: revenue is recognised when the Company's right to receive the payment is established.

(p) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(p) Income tax and other taxes continued

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future tax profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

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.

(q) Contributed equity

Contributed 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

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(q) Contributed equity continued

costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(r) Share options reserve

The share options reserve captures the equity component of the company's equity settled transactions of the share based payments schemes.

(s) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(t) Earnings per share

Basic EPS is calculated as net profit attributable to members of the parent, 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 of the parent, 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
- Other non-discretionary changes in revenues or expenses during the year 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.

(u) Fair value measurement

The Group measures financial instruments at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed at Note 32.

Fair value is the price that would be received to sell an asset or pair to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principle market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability accessible to the Group.

A fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in the highest and best use.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(u) Fair value measurement continued

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For the purpose of fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

(v) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(w) New accounting standards and interpretations but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the group for the annual reporting period ended 30 June 2015. The group's assessment of the impact of these new standards and interpretations is set out below.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(w) New accounting standards and interpretations but not yet effective continued

Standard and nature of the change	Impact	Effective date	Expected to be initially applied in the financial year ending
AASB 15 Revenue from Contracts with Customers AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. Accounting policy changes will arise in timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element. AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.	The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The group believes the adoption of the standard to be material, however its impact has not yet been quantified.	1 January 2017 However Exposure draft 263 “Effective date of AASB 15” proposes to defer the application date by one year to 1 January 2018.	30 June 2018 However if ED 263 is successfully adopted the application date will be deferred by one year and the standard will be initially applied in the financial year ending 30 June 2019.
AASB 9 Financial Instruments This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AAB 9 and completes the project to replace IA 39 “Financial Instruments: Recognition and Measurement” AASB 9 introduces new classification and measurement models for financial assets. New simpler hedge accounting requirements are indented to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an “expected credit loss” model to recognise an allowance.	The changes in impairment requirements may result in changes in the impairment models currently adopted. The group believes the adoption of the standard to be immaterial, however its impact has not yet been quantified	1 January 2018	30 June 2019

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(w) New accounting standards and interpretations but not yet effective continued

There are no other standards that are not yet effective and that would be expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

(x) Retrospective Restatement

In the previous financial years, the Group calculated the implied future interest component of long term storage contracts. The present value of this component was incorrectly accounted for as a debtor balance, with an offsetting amount recorded as unearned revenue (creditors). The net impact on the net assets and profit of the group was \$NIL.

The error was detected as part of a routine quality inspection program and in accordance with AASB 108 *Accounting Policies; Changes in Accounting Estimates and Errors*, the amounts have been removed from the assets and liabilities of the group in respect of the comparative years. The impact of this change is outlined in note 2(b)(iii). The correction to comparative opening balances together with the line item balances impacted as a result of this restatement are as follows:

(i) Statement of Comprehensive Income

No impact assessed.

(ii) Statement of Financial Position

The impact of the change to the line items in the statement of financial position is outlined in note 2(b)(iii). The statement of financial position restated line items are as follows:

Restated Balances

	30 June 2015	30 June 2014	1 July 2013	30 June 2013
<u>Current Assets</u>				
Debtors	1,752,492	1,831,533	1,563,179	1,638,378
<u>Non Current Assets</u>				
Debtors	560,502	420,879	408,739	857,294
Total Assets	<u>\$2,312,994</u>	<u>2,252,412</u>	<u>1,971,918</u>	<u>2,495,672</u>
<u>Current Liabilities</u>				
Unearned revenue	347,165	322,284	292,872	368,071
<u>Non Current Liabilities</u>				
Unearned revenue	3,108,217	2,550,050	2,170,581	2,619,136
Total Liabilities	<u>\$3,455,382</u>	<u>2,872,334</u>	<u>2,463,453</u>	<u>2,987,207</u>
Net Assets	<u>(1,142,388)</u>	<u>(619,922)</u>	<u>(491,535)</u>	<u>(491,535)</u>

(iii) Statement of Cash Flows

No impact on cash flows assessed.

(iv) Earnings per Share

No impact assessed on earnings per share or diluted earnings per share.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from the source. Actual results may differ from these estimates and estimates under different assumptions and conditions.

Management has identified the following critical accounting estimates and judgements:

Capitalised development costs

Initial capitalisation of development costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefit. At 30 June 2015, the carrying amount of capitalised development costs was \$104,339. (2014: \$NIL).

Revenue Recognition - Long term Cord Blood Storage Contracts

Long term cord blood storage contracts involve the calculation of an estimate of the costs of providing the storage service over the term of the contract. As these contracts are long term in nature, estimates are required in respect of the following:

- Cost of provision of up front service;
- Cost of provision of ongoing long term storage service; and
- Interest component in relation to deferred payment.

These calculations impact the overall balance of revenue, unearned revenue and debtors at year end. In determining these amounts, a present value calculation is performed in respect of the deferred components of the contract, which involves the determination of an appropriate discount rate. The estimate of the discount rate is reviewed on an annual basis by the directors to ensure that it is reasonable and reflective of current risks and returns.

Further, in determining the costs of providing these services, the incremental costs incurred in the storage of cord blood is assessed and reviewed annually and forms the basis upon which the amount of revenue and profit is recognised.

Revenue Recognition - Long term Tissue Storage Contracts

Long term tissue storage contracts involve the calculation of an estimate of the costs of providing the storage service over the term of the contract. As these contracts are long term in nature, estimates are required in respect of the following:

- Cost of provision of up front service;
- Cost of provision of ongoing long term storage service; and
- Interest component in relation to deferred payment.

These calculations impact the overall balance of revenue, unearned revenue and debtors at year end. In determining these amounts, a present value calculation is performed in respect of the deferred components of the contract, which involves the determination of an appropriate discount rate. The estimate of the discount rate is reviewed on an annual basis by the directors to ensure that it is reasonable and reflective of current risks and returns.

In determining the costs of providing these services, the incremental costs incurred in the storage of tissue is assessed and reviewed annually and forms the basis upon which the amount of revenue and profit is recognised.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. The group's accounting policy for taxation requires management's judgement

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

Taxation continued

as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

The Group has \$647,472 unconfirmed (2014: \$1,222,079) tax losses carried forward and recognised on the statement of financial position. Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact on the amount of deferred tax liabilities or assets recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

Share based payment transactions

The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact on expenses and equity.

Estimated useful lives of assets

The estimation of the useful lives of assets and their residual values has been based on historical experience as well as manufacturers' warranties. In addition, the condition of assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary. The estimated useful life of licenses acquired has been based upon the useful life of the patents and associated methodologies underpinning the license. The assessment of useful life is reviewed annually by the Board to determine whether the assumptions made continue to be appropriate and supportable given the license conditions and underlying patents. If the useful life assessment is assessed as inappropriate, either due to a change in license conditions or patents, it is changed on a prospective basis.

As at 30 June 2015 the Board has assessed a finite life on the license fee in line with the underlying patents and associated methodologies which are reviewed on a regular basis.

Long Service Leave Provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Make good provisions

A provision has been made for the present value of anticipated costs for future restoration of leased premises. This provision includes future cost estimates associated with dismantling, closure, decontamination and permanent storage of historical residues. The calculation of any provision requires assumptions such as application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts provided. Any provision recognised will be periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the statement of financial position by adjusting both the expense or asset and provision. The appropriateness of the make good provision is assessed annually.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

Impairment of receivable balances

Included in the receivable balance at year end is an allowance for impairment loss of \$90,000 (2014: \$126,619). A provision is recognised when there is objective evidence that an individual receivable is impaired. The provision for impairment if receivable requires a degree of estimation and judgement. The level of the provision is regularly assessed and takes into account client activity with the group, ageing of receivables, historical collections and other specific knowledge of the individual debtor.

4 SEGMENT INFORMATION

Identification of Reportable Segments

The consolidated entity is organised into two operating segments; Biological Services and Warehousing & Distribution. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers "CODM") in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is at least on a monthly basis.

Operating Segment

	Biological Services \$	Warehousing & Distribution \$	Total \$
30 June 2015 – Consolidated			
Total segment revenue	4,975,847	4,868,008	9,843,855
Segment profit before ITDA	453,215	603,059	1,056,274
30 June 2014 – Consolidated			
Total segment revenue	4,497,967	4,923,234	9,421,196
Segment profit before ITDA	334,656	697,660	1,032,316
Total Segment assets			
30 June 2015	5,466,078	3,656,676	9,122,754
30 June 2014	6,336,428	4,855,974	11,192,402

A reconciliation of operating EBITDA is provided as follows:

	Consolidated	
	30 June 2015	30 June 2014
	\$	\$
Operating EBITDA	1,056,275	1,032,316
Interest revenue	210,457	250,182
Depreciation and amortisation	(657,742)	(597,584)
Finance costs	(2,420)	(6,600)
Profit before tax	606,570	678,314

An entity shall report a measure of liabilities for each reportable segment if such an amount is regularly provided to the chief operating decision maker.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

5	REVENUE	Consolidated	
		30 June 2015 \$	30 June 2014 \$
	Revenue		
	Sale of goods and rendering of services	9,594,375	9,171,014
	Other Revenue		
	R & D Tax Offset	39,023	-
	Interest income	210,457	250,182
	Total other revenue	249,480	250,182
		9,843,855	9,421,196
6	EXPENSES		
	(a) Finance costs		
	Interest - insurance premium funding	(2,420)	6,600
	(b) Lease payments		
	Lease payments-operating leases	382,972	417,833
	(c) Employee benefits expense		
	Wages and salaries	3,109,402	2,826,340
	Superannuation costs	288,979	274,641
		3,398,381	3,100,981
	(d) Depreciation- Plant & Equipment		
	Depreciation – plant & equipment 17	646,188	597,584
	(e) Amortisation of Intangibles		
	Amortisation of Intangibles 18	11,554	-
7	INCOME TAX		
	(a) Income tax expense		
	The major components of income tax are:		
	<i>Statement of comprehensive income</i>		
	Current income expense	(153,597)	(189,625)
	R&D Tax Offset	2,197	-
	Recognition of income tax losses previously unrecognised	-	16,913
	Income tax (expense) benefit reported in the Statement of comprehensive income	(151,400)	(172,712)
	(b) Numerical reconciliation between aggregate tax benefit (expense) recognised in the statement of comprehensive income and tax benefit(expense) calculated per the statutory income tax rate		
	A reconciliation between tax benefit(expense) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate follows:		
	Accounting profit before tax from continuing operations	606,570	678,314
	Income tax expense calculated at 30% (2014: 30%)	(181,971)	(203,495)
	Other items (net)	30,571	13,870
	Recognition of previously unrecorded losses against current year taxable income	-	16,913
	Income tax (expense)benefit	(151,400)	(172,712)

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

7 INCOME TAX continued

	Consolidated	
	2015	2014
	\$	\$
(c) Recognised deferred tax assets and liabilities		
Deferred income tax at 30 June relates to the following:		
<i>Deferred income tax assets</i>		
Post-employment benefits	173,958	146,285
Superannuation contributions	(9)	449
Provision for tax and audit fees	14,922	15,162
Provision for doubtful debts	27,000	37,986
Impairment and depreciation of plant & equipment for book purposes	58,082	41,898
Amortisation of Section 40-880 uniform capital allowances	6,649	13,266
Losses available for offset against future taxable income	194,242	366,924
Amortisation of Intangibles (Intellectual Property)	2,070	-
<i>Deferred income tax liabilities</i>		
Consumables	(27,138)	(18,597)
Net deferred tax asset	449,776	603,373
Comprised of :		
Deferred tax asset	449,776	603,373
Deferred tax liability	-	-
	449,776	603,373

(d) Tax (expense) benefit related to items of other comprehensive income.

There were no items of comprehensive income during the year giving rise to any income expense (benefit).

(e) Tax losses

The Group has unconfirmed tax losses arising in Australia of \$647,472 (2014: \$1,223,079) that are available for offset against future taxable profits of the company. The deferred income tax asset of \$194,247 (2014: \$366,924) arising from these losses has been brought to account in its entirety at reporting date, as realisation of the benefit is now regarded as probable.

Tax consolidation

Effective from 1 July 2002, Cryosite Limited and its 100% owned subsidiary formed a tax consolidated group. On formation of the tax consolidated group, the entities in the tax consolidated group agreed to enter into a tax sharing deed which will, in the opinion of the directors, limit the joint and several liability of the wholly-owned entities in the case of default by the head entity Cryosite Limited. The tax sharing deed was signed on 12 May 2011.

The entities have also agreed to enter into a tax funding agreement under which the wholly-owned entities fully compensate Cryosite Limited for any current tax payable assumed and are compensated by Cryosite Limited for any current tax loss, deferred tax assets and tax credits that are transferred to Cryosite Limited under the tax consolidation legislation. The tax consolidated current tax liability or current year tax loss and other deferred tax assets are required to be allocated to the members of the tax consolidated group in accordance with UIG 1052. The group uses a group allocation method for this purpose where the allocated current tax payable, current tax loss, deferred tax assets and other tax credits for each member of the tax consolidated group is determined as if the company is a stand-alone taxpayer but modified as necessary to recognise membership of a tax consolidated group. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

7 INCOME TAX continued

statements which is determined having regard to membership of the tax consolidated group. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current inter-company receivables or payables.

8 EARNINGS PER SHARE

	Consolidated 2015	2014
	\$	\$

The following reflects the income used in the basic and diluted earnings per share computations:

Basic earnings per share (from continuing operations)	0.97	1.08 cents
Diluted earnings per share (from continuing operations)	0.96	1.07 cents

Basic EPS disclosure

Earnings used in EPS calculation	455,170	505,602
Net profit attributable to ordinary equity holders of the parent	455,170	505,602

No of shares.	No of shares.
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Weighted average number of ordinary shares for basic earnings per share	46,859,563	46,804,111
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Diluted EPS disclosure

Earnings used in diluted EPS calculation	455,170	505,602
Net profit attributable to ordinary equity holders of the parent	455,170	505,602

Diluted EPS disclosure continued

No of shares.	No of shares.
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Weighted average number of ordinary shares for basic earnings per share	46,839,563	46,804,111
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Shares deemed to be used for no consideration – options	300,000	355,452
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Weighted average number of ordinary shares used in the calculation of diluted EPS	47,159,563	47,159,563
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There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before completion of these financial statements

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

9 DIVIDENDS PAID OR PROPOSED ON ORDINARY SHARES

	Consolidated	
	2015	2014
	\$	\$
Declared and paid during the year:		
<u>Declared</u>		
Dividends declared on ordinary shares		
Final unfranked dividend		
1.0 cents per share	468,596	466,395
Interim unfranked dividend for 2015: 0.5 cents per share	234,298	234,298
Total Declared	702,894	700,693
<u>Total Dividends Paid</u>	685,863	700,642

No further dividends have been declared or recommended at the date of this report.

10 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	489,605	511,310
Short-term deposits	3,677,697	5,740,883
	4,167,302	6,252,193

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the group and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents for the consolidated group and parent entity is \$4,167,302 (2014: \$6,252,193).

Reconciliation of cash

For purposes of the Statement of Cash Flow, cash and cash equivalents as at 30 June 2014 and the prior year are as shown above

11 STATEMENT OF CASH FLOW RECONCILIATION

Reconciliation of the net profit after tax to the net cash flows from operations

Net profit	455,170	505,602
Less: Transfer to investing activities	(153,348)	(207,729)
<i>Adjustments for non-cash items</i>		
Depreciation and amortisation of non-current assets	652,742	597,584
Increase in employee benefits – LSL	43,993	(7,876)
<i>Changes in assets and liabilities</i>		
(Increase) decrease in trade and other receivables	417,112	203,624
Decrease (Increase) in inventory	(28,475)	4,103
Decrease (Increase) in other assets	(111,223)	234,030
Decrease (Increase) in deferred tax asset	153,597	248,560
Increase (decrease) in trade and other creditors	(166,267)	84,189
Increase in unearned income	141,970	-114,873
Increase (Decrease) in allowance for impairment loss on trade receivables	(36,619)	40,000
Increase (Decrease) in employee benefits – annual leave	48,250	(2,225)
Net cash flow from operating activities	1,416,902	1,584,989

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

12 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES	Consolidated 2015 \$	2014 \$
Trade receivables	1,716,790	1,826,592
Allowance for impairment loss (a)	(90,000)	(126,619)
	1,626,790	1,699,973
Other receivables	125,702	131,560
Carrying amount of trade and other receivables	1,752,492	1,831,533

(a) Allowance for impairment loss

Trade receivables are non-interest bearing. Term payment plans are offered to customers under cord blood collection contracts. Customers have an option of payment in full, over 12 to 24 months or annually. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. During the financial year the allowance was decreased by \$36,619 (2014: increased by \$40,000) after bad debts written off during the year reflecting an improvement in collections. When there is an impairment loss, it has been included in the administration expense item. No individual debtor amount within the impairment allowance at year end is material.

Movements in the provision for impairment loss were as follows:

At the beginning of the year	126,619	86,619
Increase/(reduction) in impairment loss during the year	(36,619)	40,000
At the end of the year	90,000	126,619

(b) Analysis of trade receivables

At 30 June, the ageing analysis of trade receivables is as follows:

	Total	Not yet due	0-30 Days	31-60 Days	61-90 Days PDNI*	+91 Days PDNI*	+91 Days CI**
	\$	\$	\$	\$	\$	\$	\$
2015							
Current	1,716,790	1,247,770	278,840	96,807	19,363	30,648	43,362
Non-Current	560,502	560,502	-	-	-	-	-
Total							
Consolidated	2,277,292	1,808,272	278,840	96,807	19,363	30,648	43,362
2014							
Current	1,826,592	619,089	758,160	168,922	86,964	117,717	75,740
Non-Current	420,879	420,879	-	-	-	-	-
Total							
Consolidated	2,247,471	1,039,968	758,160	168,922	86,964	117,717	75,740

* Past due not impaired ("PDNI") ** Past due considered impaired

Receivables past due but not considered impaired have been reviewed and it is believed that payment will be received in full.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

12 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES CONTINUED

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(c) Related party receivables

Related party receivables are interest free and not considered past due or impaired.

(d) Fair value and credit risk

Due to the nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Consolidated	
2015	2014
\$	\$

13 CURRENT ASSETS – INVENTORIES

Consumables at cost	90,459	61,984
Total inventories at cost	90,459	61,984

14 CURRENT ASSETS – PREPAYMENTS

Prepayments	255,688	144,465
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15 NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade receivables	560,502	420,879
Carrying amount of non-current trade and other receivables	560,502	420,879

Trade receivables

Trade receivables due under term payment plans	560,502	420,879
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The maximum exposure to credit risk at the time of reporting is the carrying value of the receivables.

16 INVESTMENT IN CONTROLLED ENTITY

Name – Cryosite Distribution Pty Limited	Equity interest held by the consolidated entity		Investment	
	2015 %	2014 %	2015 \$	2014 \$
Country of incorporation – Australia	100	100	20	20

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

17 NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Leasehold improvements \$	Fixtures and fittings \$	Information technology \$	Warehouse equipment \$	Office furniture & equipment \$	Total \$
Cost						
At 1 July 2013	205,000	72,521	471,579	3,778,004	33,517	4,560,621
Additions	-	-	13,863	407,660	6,147	427,670
Disposals	-	-	-	-	-	-
At 30 June 2014	205,000	72,521	485,442	4,185,664	39,664	4,988,291
Additions	(5,000)	-	123,277	356,341	5,543	480,161
Disposals	-	-	(419,517)	(827,988)	(31,212)	(1,278,717)
At 30 June 2015	200,000	72,521	189,202	3,714,017	13,995	4,189,735
Depreciation and Impairment						
At 1 July 2013	(115,314)	(60,371)	(400,031)	(2,160,104)	(32,218)	(2,768,038)
Depreciation charge for the year	(38,438)	(7,950)	(49,324)	(499,893)	(1,979)	(597,584)
Adjustments	-	(4)	-	-	-	(4)
Disposals	-	-	-	-	-	-
At 30 June 2014	(153,752)	(68,325)	(449,355)	(2,659,997)	(34,197)	(3,365,626)
Depreciation charge for the year	(46,248)	(4,196)	(45,575)	(547,444)	(2,725)	(646,188)
Impairment	-	-	419,516	827,992	31,212	1,278,720
Disposals	-	-	-	-	-	-
At 30 June 2015	200,000	(72,521)	(75,414)	(2,379,449)	(5,710)	(2,733,094)
Net book value – 30 June 2014	51,248	4,196	36,087	1,525,667	5,467	1,622,665
Net book value – 30 June 2015	-	-	113,788	1,334,568	8,285	1,456,641

18 NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Consolidated	
	2015	2014
	\$	\$
(b) Reconciliation of carrying amounts at the beginning and the end of the year		
<i>Software development and licence fees</i>		
Licence Fee- at cost	255,310	255,310
Less: Accumulated amortisation	(6,900)	-
Net Carrying amount	248,410	255,310
Software Development- at cost	146,139	-
Less: Accumulated amortisation	(4,654)	-
Net carrying amount	141,485	-
Total Net Carrying Amount	389,895	255,310

During the 2014 financial year, the Group entered into an exclusive licensing agreement within Australia and New Zealand to assist with the in-house development of new technologies to develop the range of stem cell service offerings. The Directors have assessed a finite life to the license in line with the underlying patents and associated methodologies. An amortisation of \$6,900 has been charged for this year. The assessment of useful life is reviewed annually by the Board to determine whether the assumptions made continue to be appropriate and supportable. If not, the useful life assessment is changed on a prospective basis.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

19 TRADE AND OTHER PAYABLES

	Consolidated	
	2015	2014
	\$	\$
CURRENT LIABILITIES		
Trade payables	298,002	481,675
Other payables	584,306	612,400
Total current payables	882,308	1,094,075
NON-CURRENT LIABILITIES		
Client deposits	442,350	396,850
Total non-current payables	442,350	396,850

Fair value

Trade payables are non-interest bearing and are normally settled on 30 to 90 day terms. Therefore their carrying value is assumed to be their fair value.

Other payables are non-interest bearing and are on ranging from 30 days to 12 months terms. Their carrying value is assumed to be fair value.

At 30 June, the ageing analysis of trade payables is as follows:

	Total \$	Not Yet due	0-30 Days \$	31-60 Days \$	61-90 Days \$	+91 Days \$
2015						
Consolidated	298,002	257,985	1,877	-	38,140	-
2014						
Consolidated	481,675	452,382	23,431	2,492	3,370	-

Other balances within trade and other payables are not past due. It is expected that these other balances will be paid

	Consolidated	
	2015	2014
	\$	\$
20 CURRENT LIABILITIES – UNEARNED INCOME		

Unearned service revenue	347,165	322,284
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Represents cord blood revenues received in advance for services to be rendered under long-term storage contracts.

21 NON-CURRENT LIABILITIES – UNEARNED INCOME

Unearned service revenue	3,108,217	2,550,050
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Represents cord blood revenues received in advance for services to be rendered under long-term storage contracts.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

22 CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2015	2014
	\$	\$
Annual leave	411,716	363,466
Long service leave	102,207	83,559
Dividends payable	18,421	1,390
	523,344	448,415

22 NON – CURRENT LIABILITIES – PROVISIONS

Long service leave	65,936	40,591
Lease make good	200,000	205,000
	265,936	245,591

(a) Movements in provisions

Annual leave

Balance at beginning of the year	363,466	365,691
Arising during the year	48,250	(2,225)
	411,716	363,466

Long service leave

Balance at beginning of the year	124,150	132,026
Arising during the year	43,993	(7,876)
	168,143	124,150

Nature and timing of long service leave provision

For the relevant accounting policy and the significant estimations and assumptions applied in the measurement of this provision refer to Note 3.

Dividends

Balance at beginning of the year	1,390	1,339
Declared during the year	702,894	700,693
Final 2014 plus 2015 Interim dividends paid during the year	(685,863)	(700,642)
Balance at end of the year	18,421	1,390

Lease make-good provision

Balance at beginning of the year	205,000	205,000
Arising during the year	(5,000)	-
Balance at end of the year	200,000	205,000

Nature and timing of lease make-good provision

In accordance with the current lease agreement with Allsup Pty Limited, the Group must restore the leased premises in Granville to its original condition at the end of the lease in October, 2015 in the absence of an extension of the lease period. The current lease agreement provides for an extension and the current provision is considered adequate based on the Company's current renewal negotiation with Allsup Pty Limited and the understanding reached to date.

The provision of \$200,000 has been raised in respect of the Group's obligation to restore the leased premises and is included in the carrying amount of plant and equipment. Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the actual cost that may ultimately be renegotiated and finalised with Allsup Pty Limited covering either a renewal of the existing or negotiating a new lease with them though \$200,000 is considered fairly stated in either circumstance.

For the relevant accounting policy and the significant estimations and assumptions applied in the measurement of this provision refer to Note 3.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

23	CONTRIBUTED EQUITY	2015	2014
		\$	\$
Ordinary shares		5,861,788	8,204,766

<i>Movement in ordinary shares on issue</i>	2015		2014	
	Shares		Shares	
	No.	\$	No.	\$
Beginning of the financial year	46,869,563	8,204,766	46,639,563	8,138,766
Options exercised	-	-	220,000	66,000
Return of capital	-	(2,342,978)	-	-
End of the financial year	46,859,563	5,861,788	46,859,563	8,204,766

Terms and condition of contributed equity

Ordinary shares

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

(a) Movements in accumulated losses

	Consolidated	
	2015	2014
	\$	\$
Balance at the beginning of the year	(2,308,747)	(2,113,656)
Net profit for the year	455,170	505,602
Equity dividends declared	(702,894)	(700,693)
Balance at the end of the year	(2,556,471)	(2,308,747)

24 RESERVES

Share options reserve	239,118	239,118
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Movements in share options reserve

Balance at the beginning of the year	239,118	239,118
Balance at the end of the year	239,118	239,118

The purpose of the share options reserve is to record the value of share-based payments provided to employees as part of their remuneration. Refer to Note 29 for further details of these plans.

25 COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments – Group as lessee

Commercial property

On 1 November 2007, the company entered into an 8 year lease over a commercial property at South Granville in Sydney.

Future minimum rentals payable under commercial property leases as at 30 June 2015 are as follows:

	Consolidated	
	2015	2014
	\$	\$
Within one year	119,764	344,520
After one year but not more than five years	-	119,764
	119,764	464,284

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

25 COMMITMENTS AND CONTINGENCIES CONTINUED

Commercial Property Security deposits

The security deposit for the lease at Granville is covered by a bank guarantee for \$181,790 issued by the Commonwealth Bank of Australia. No collateral is held as security.

Plant and equipment

The Group currently has a number of operating leases on items of plant and equipment used in day to day operations of the business.

Leases have an average life of 5 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease.

There are no restrictions placed upon the lessee by entering into these leases.

(a) Operating lease commitments – Group as lessee continued

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2015 are as follows:

	Consolidated	
	2015	2014
	\$	\$
Within one year	15,679	23,493
After one year but not more than five years	51,945	18,892
	67,624	42,385

(b) Plant and equipment commitments

There are no capital expenditure commitments at reporting date.

(c) Contingent Liabilities

The Group is not aware of any contingent liabilities at reporting date.

26 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The directors are unaware of any event or transaction that has occurred between the balance date of 30 June 2015 and the date of this report which had or may have had a significant effect on the company.

27 AUDITOR'S REMUNERATION

	Consolidated	
	2015	2014
	\$	\$
Amounts received or due and receivable by Duncan Dovico for:		
- Audit or review of the financial report of the entity and any other entity in the consolidated group	75,260	73,552
- Other services in relation to the entity and any other entity in the consolidated group	7,079	11,985
	82,339	85,537

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

28 RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Cryosite Limited and its wholly owned subsidiary Cryosite Distribution Pty Limited. For details, refer to Note 16.

Cryosite Limited is the ultimate parent entity.

Cryosite Distribution Pty Limited neither has a bank account nor does it hold any cash in its own right. All receipts and payments for this entity are made by Cryosite Limited, with the amounts charged against an inter-company loan account. No interest is payable on this balance and no amounts are due and payable.

Cryosite Limited and Cryosite Distribution Pty Limited are part of a tax consolidation group and has entered into a tax funding agreement. Under this agreement, payments are to be made for tax losses transferred between entities in the group. Refer to Note 7.

Cryosite Limited has received a dividend from Cryosite Distribution Pty Limited for \$Nil (2014: \$Nil).

29 SHARE-BASED PAYMENTS EXPENSE

(a) Employee Share Option Plan

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:

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").

The Cryosite Board will determine the number of share options granted to each eligible participant

Terms and conditions of options issued under employee share scheme details

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. Options will be issued for no consideration.

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.

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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

29 SHARE-BASED PAYMENTS EXPENSE CONTINUED

(a) Summary of options granted under the ESOP

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2015		2014	
	Options No.	WAEP Cents	Options No.	WAEP Cents
Balance at beginning of year	300,000	30	520,000	30
Issued during the year	-	-	-	-
Exercised during the year	-	-	(220,000)	30
Balance at end of the year	300,000	30	300,000	30
Balance at year end comprised as follows:				
- Graeme Moore	300,000	30	300,000	30
	300,000	30	300,000	30

Share based options payment:

Parties to option agreement – Graeme Moore
Rights Granted and grant date Share options granted 1 December 2007 Graeme Moore 300,000
Option exercise price One third at \$0.20 per share, One third at \$0.30 per share One third at \$0.40 per share
Vesting period One third on 1 December 2008 One third on 1 December 2009 One third on 1 December 2010 Options must be exercised no later than 30 November 2015.
Vesting requirements Options granted under ESOP as part of remuneration package. Options will lapse on cessation of employment with the company.
Weighted average fair value per option at grant date \$0.11
Expense for the year – Nil
Prior year's expense taken to account \$-
Value of options forfeited \$-
Balance at the end of the financial year not yet expensed \$-
Calculation of fair value of option Valuation was made using the binomial method in accordance with the requirements of 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 79% with an interest-free risk rate of 6.70%. The market share price at date of grant was 19 cents.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

30 SUPERANNUATION

The Group contributed the equivalent of 9.5% (2014: 9%) of employees' wages to their superannuation fund of choice as required by Australian law. Employees may also elect to make salary sacrifice to their nominated superannuation fund.

31 KEY MANAGEMENT PERSONNEL

(a) Key management personnel

Non-executive directors

Andrew Kroger	Chairman (Non-executive)
Christina Boyce	Director (Non-executive)

Key management personnel

Joseph Saad	Chief Executive Officer (appointed 27/1/2015)
Graeme Moore	Executive Director
Mark Marshall	Chief Financial Officer

Key management personnel held their positions for the whole of the financial year other than as stated above.

Due to the relatively small number of employees, there are only three (3) key management personnel having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

(b) Compensation for key management personnel

	Consolidated	
	2015	2014
	\$	\$
Non-executive directors		
Short-term employee benefits	135,000	140,000
Post-employment benefits	12,825	12,951
Sub-total non-executive directors	147,825	152,951
Key management personnel		
Short-term employee benefits	505,611	581,682
Post-employment benefits	68,803	102,569
Other long-term benefits	10,030	59,048
Sub-total key management personnel	584,444	*743,299
Total compensation	732,269	896,250

* Includes termination payments.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

32 FINANCIAL INSTRUMENTS

The Group's principal financial liabilities comprise of trade payables. The Group has various financial assets such as trade receivables, cash and short-term deposits, which arise directly from its operations.

The Group does not enter into any derivative transactions. The main risks arising from the Group's financial instruments are cash flow interest rate risk and credit risk. The Board of Directors reviews and monitors each of these risks.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to:

- cash and cash deposits with floating interest rates; and
- assessments of appropriate discount rates for deferred arrangements.

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets is set out below:

2015 CONSOLIDATED	Note	Weighted average effective interest rate %	Floating interest rate \$	Fixed interest rates \$	Non interest bearing \$	Total \$
<i>Financial assets</i>						
Interest bearing deposits – maturing at various dates during year ending 30 June 2015	10	3.14	3,677,697	-	-	3,677,697
Cash and cash equivalents	10	0.015	489,605	-	-	489,605
Current receivables – maturing at various dates	12	-	-	-	1,752,492	1,752,492
Non-current receivables	15	-	-	-	560,502	560,502
			4,167,302	-	2,312,994	6,480,296
<i>Financial liabilities</i>						
Trade creditors and accruals – maturing at various dates during the year ending 30 June 2015.	19	2.2	257,988	-	624,323	882,311

2014 CONSOLIDATED	Note	Weighted average effective interest rate %	Floating interest rate \$	Subject to discount rates \$	Non interest bearing \$	Total \$
<i>Financial assets</i>						
Interest bearing deposits – maturing at various dates during year ending 30 June 2014	10	3.21	5,740,883	-	-	5,740,883
Cash and cash equivalents	10	0.015	511,310	-	-	511,310
Current receivables – maturing at various dates during year ending 30 June 2014	12	3.8	-	-	1,831,533	1,831,533
Non-current receivables	15	-	-	-	420,879	420,879
			6,252,193	-	2,252,412	8,504,605
<i>Financial liabilities</i>						
Trade creditors and accruals – maturing at various dates during the year ending 30 June 2014.	19	2.81	452,382	-	641,693	1,094,075

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

32 FINANCIAL INSTRUMENTS CONTINUED

Interest rate sensitivity analysis

The following sensitivity analysis is based on interest rate risk exposures in existence at the balance date. If interest rates had moved, as illustrated in the tables below, with all other variables held constant, post tax profit would have been affected as follows:

		Post Tax Profit Higher (Lower)	
		2015	2014
		\$	\$
Consolidated	Up by 2.0%	40,517	80,970
	Down by 1.5%	(30,387)	(59,681)

Discount rate sensitivity analysis

The following sensitivity analysis is based on a discount rate of 13.9% (2014: 13.9%) risk exposures in existence at the balance date. If the discount rate had moved, as illustrated in the tables below, with all other variables held constant, post tax profit would have been affected as follows

		Post Tax Profit Higher (Lower)	
		2015	2014
		\$	\$
Consolidated	Up by 2%	(5,205)	(6,251)
	Down by 2%	5,205	6,251

(b) Price risk – Equity and Commodity

The Group has no exposure to commodity and equity securities price risk.

(c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group trades with a number of types of customers, the main ones being:

- Incorporated companies
- Research institutes both private and academic
- Individuals.

Incorporated companies:

The Group trades with recognised, publicly listed companies and large unlisted proprietary companies and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Research institutes both private and academic

The Group also trades with research institutes that are either publicly, privately or government owned along with recognised universities. Such customers are subject to credit search and collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Individuals:

The Group ensures that credit card information is obtained for all individual customers.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

32 FINANCIAL INSTRUMENTS CONTINUED

(c) Credit risk continued

There are no significant concentrations of credit risk within the Group. There are no transactions that are not denominated in the functional currency of the Group.

(d) Liquidity risk

The Group has assessed liquidity risk to be low at balance date and at the date of this report based on total current assets, including cash and equivalents, of \$6,265,941 at balance date less current liabilities of \$1,761,817, an excess of current assets over current liabilities amounting to \$4,504,124. The Group generated a positive \$1,416,902 cash flow from operations during the current year.

Maturity analysis of financial assets and liabilities based on management's expectation.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from investment in working capital such as inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as enable an effective controlling of future risks the Directors monitor the expected settlement of financial assets and liabilities.

Year ended 30 June 2015	Less than 6 months \$	7-12 months \$	1-5 years \$	Greater than 5 years \$	Total \$
Consolidated Financial Assets					
Cash and cash equivalents	4,167,302	-	-	-	4,167,302
Trade and other receivables	1,439,345	277,444	408,548	151,955	2,277,292
	<u>5,606,647</u>	<u>277,444</u>	<u>408,548</u>	<u>151,955</u>	<u>6,444,594</u>
Consolidated Financial liabilities					
Trade and other payables	882,308	-	-	-	882,308
	<u>882,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>882,308</u>
Net maturity	<u>4,724,339</u>	<u>277,444</u>	<u>408,548</u>	<u>151,955</u>	<u>5,562,286</u>

Year ended 30 June 2014	Less than 6 months \$	6-12 months \$	1-5 years \$	Greater than 5 years \$	Total \$
Consolidated Financial Assets					
Cash and cash equivalents	6,252,193	-	-	-	6,252,193
Trade and other receivables	1,748,697	72,454	166,294	260,027	2,247,472
	<u>8,000,890</u>	<u>72,454</u>	<u>166,294</u>	<u>260,027</u>	<u>8,499,665</u>
Consolidated Financial liabilities					
Trade and other payables	1,094,075	-	-	-	1,094,075
	<u>1,094,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,094,075</u>
Net maturity	<u>6,906,815</u>	<u>72,454</u>	<u>166,294</u>	<u>260,027</u>	<u>7,405,590</u>

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

32 FINANCIAL INSTRUMENTS CONTINUED

(e) Capital management

When managing capital, the boards' objective is to ensure the entity continues as a going concern as well as to maintain returns to shareholders. The board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board of Directors is responsible for assessing financial risks, related controls and other financial risk management strategies. The Company deploys its assets and liabilities so as to manage risk at commercially appropriate levels, bearing in mind the constraints imposed by the consolidated entity's size, results and other financial circumstances. The Company aims to balance opportunities to improve profitability against related risks of losses of assets or the incurrence of additional liabilities.

(f) Fair value

All financial assets and liabilities have been disclosed in the financial statements and notes thereto at their carrying value, which approximates their net fair values.

The fair value of the assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair values of balances related to long term revenue contracts are determined using a discounted cash flow method using discount rates that reflect the appropriate level of risk over the life of the long term revenue stream.

33 PARENT ENTITY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

AS AT 30 JUNE 2015	2015 \$	2014 \$
(a) STATEMENT OF FINANCIAL POSITION		
Total Current Assets	6,051,733	8,090,906
Total Non-current Assets	2,856,834	2,902,247
TOTAL ASSETS	8,908,567	10,993,153
(b) LIABILITIES		
Total Current Liabilities	1,565,879	1,683,776
Total Non-current Liabilities	3,816,503	3,192,491
TOTAL LIABILITIES	5,382,382	4,876,267
(c) EQUITY		
Contributed equity	5,861,788	8,204,766
Share option reserves	239,118	239,118
Accumulated losses	(2,574,722)	(2,326,998)
TOTAL EQUITY	3,526,184	6,116,886
(d) TOTAL COMPREHENSIVE INCOME		
Net Profit of the parent entity for the year net of income tax	455,170	505,602
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	455,170	505,602

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2015

33 PARENT ENTITY FINANCIAL INFORMATION continued

(e) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

No guarantees have been entered into by the parent entity in relation to the debts of its subsidiaries.

(f) COMMITMENTS AND CONTINGENCIES OF THE PARENT ENTITY

Commitments and contingencies for the parent entity are the same as those disclosed in Note 25.



Independent Auditor's Report to the members of Cryosite Limited and its controlled entity

Report on the Financial Report

We have audited the accompanying financial report of Cryosite Limited and its controlled entity which comprises the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year ended 30 June 2015.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretation) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a) the financial report of Cryosite Limited and its controlled entity is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report for the year ended 30 June 2015 as outlined on pages 9 to 14 of the financial report. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Cryosite Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

DUNCAN DOVICO RISK & ASSURANCE PTY LIMITED



Rosemary Megale
Director

Sydney, 26th August 2015.

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 19 August 2015.

Substantial shareholders

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

Shareholder	Relevant interest			
	2015		2014	
	No. of shares	% of issued capital	No. of shares	% of issued capital
Andrew Kroger and related entities	11,975,816	25.56	11,706,943	24.98
Cell Care Australia Pty. Ltd	10,639,995	22.71	10,709,334	22.96

Twenty largest shareholders

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

SHAREHOLDER	LISTED ORDINARY SHARES	
	Number of shares	% of ordinary shares
ANDREW KROGER AND RELATED ENTITIES	11,975,816	25.56%
CELL CARE AUSTRALIA PTY LTD	10,639,995	22.71%
HSBC CUSTODY NOMINEES (AUS) LTD	2,000,000	4.27%
BELL POTTER NOMINEES LTD	1,758,236	3.75%
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,549,700	3.31%
KHAEMET PTY LTD	1,290,418	2.75%
MR ALISTAIR DAVID STRONG	1,200,000	2.56%
CORNISH GROUP INVESTMENTS PTY LTD	1,050,300	2.24%
MR THEO ONISFOROU	1,008,753	2.15%
MRS ERICA MARGARET STRONG	1,000,000	2.13%
NARON NOMINEES PTY LTD	839,416	1.79%
MR STEPHEN ROBERTS	644,873	1.38%
SUNNYIT PTY LTD	501,000	1.07%
H F A ADMINISTRATION PTY LIMITED	480,000	1.02%
ANADYOMENE PTY LTD	400,000	0.85%
WIFAM INVESTMENTS PTY LTD	300,000	0.64%
ONMELL PTY LTD	299,910	0.64%
WHEEN FINANCE PTY LTD	257,917	0.55%
NATIONAL NOMINEES LTD	257,496	0.55%
TOTAL	37,453,830	79.93%

ASX Additional Shareholder Information

DISTRIBUTION OF EQUITY SECURITIES

Number of shareholders by size of holding

		Ordinary Shares	
		Number of Holders	Number of Shares
1	1,000	34	16,113
1,001	5,000	242	907,194
5,001	10,000	72	594,464
10,001	100,000	160	5,065,682
100,001	and over	40	40,276,110
Total		548	46,859,563

Voting Rights

All ordinary shares carry one vote per share without restriction.

Number of shareholders holding less than a marketable parcel

The number of shareholders holding less than a marketable parcel of shares is 58 and they hold 46,436 shares.