

Healthbridge Enterprises Pty Ltd

ABN 27 132 880 392

Financial statements for the year ended

30 June 2013

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Healthbridge Enterprises Pty Ltd

Directors' report

For the year ended 30 June 2013

The directors present their report together with the consolidated financial report of Healthbridge Enterprises Pty Ltd ('the Group'), being the Company (Healthbridge Enterprises Pty Ltd) its subsidiaries, and the Group's interest in associated entities for the financial year ended 30 June 2013, and the auditor's report thereon.

1 Directors

The directors of the Company at any time during or since the end of the financial year are:

Director	Appointed	Resigned
Neil Broekhuizen	22 October 2008	
Richard Henshaw	4 November 2008	
Tom Woolley	8 October 2008	
James Thiedeman	30 October 2013	
Rodney Fox	30 October 2013	
Gabor Kovacs	30 October 2013	
Anthony Lawrence	30 October 2013	

2 Principal activities

The principal activities of the Group during the course of the financial year was the provision of medical services in the area of human reproduction.

3 Operating and financial review

Overview of the Group

The loss after tax for the equity holders of the Company for the year ended 30 June 2013 was \$14,856,169 (2012: \$15,320,939 loss).

4 Significant changes in the state of affairs

In December 2012 the Group sold assets relating to the operation of the private hospital at Hawthorn, Victoria. Other than this, in the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial period.

5 Environmental regulation

The Group's operations are not subject to any significant environmental regulations under a law of the Commonwealth or State or Territory.

6 Dividends

No dividends were paid or declared during the period. No recommendation for payment of dividends have been made.

Healthbridge Enterprises Pty Ltd

Directors' report

For the year ended 30 June 2013

7 Events subsequent to reporting date

On 18 July 2013 a subsidiary acquired 100% of the share capital of Yoncat Pty Limited trading as Reproductive Medicine Albury. The acquisition does not materially impact the operations of the Group.

On 24 October 2013 a restructure of the Group occurred with the aim of eliminating minority interests in subsidiaries, simplifying the Group structure with consequent administrative benefits. This was achieved by the minority shareholders in Monash IVF Holdings Pty Limited, Monash Ultrasound for Women Pty Limited and Healthbridge Repromed Pty Limited effectively exchanging equity and if applicable debt instruments issued by the subsidiaries for ordinary shares and debt instruments issued by Healthbridge Enterprises Pty Limited or the conversion of debt instruments into ordinary equity.

On 29 October 2013 bank debts owed by subsidiaries totalling \$102 million were repaid by way of a refinanced joint facility. The new finance facility is for 12 months with the borrowers holding an option to extend for a further 12 months.

On 31 October 2013 using funds generated by the Group and additional borrowings raised from the refinancing, a partial repayment of the interest and principal of debt instruments held by shareholders of the Company occurred.

On 2 December 2013, a subsidiary acquired the non controlling interests in Wesley Monash IVF Pty Limited and the Wesley Monash joint venture. The acquisition does not materially impact the operations of the Group.

Other than disclosed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

Healthbridge Enterprises Pty Ltd

Directors' report

For the year ended 30 June 2013

8 Likely developments

The Group expects to at a minimum maintain the present status and level of operations.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

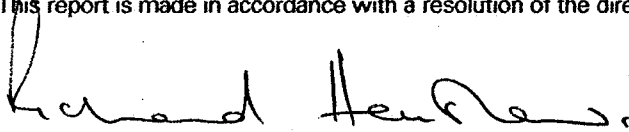
9 Indemnification and insurance of officers and auditors

Since the end of the previous financial year, the Group has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Group.

10 Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for financial year ended 30 June 2013.

This report is made in accordance with a resolution of the directors:



Richard Henshaw
Director

24-Dec-13



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Healthbridge Enterprises Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have 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.

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne

24 December 2013

Healthbridge Enterprises Pty Ltd

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2013

<i>In AUD</i>	<i>Note</i>	Consolidated	
		2013	2012
Continuing operations			
Revenue	6	96,598,521	93,242,563
		<u>96,598,521</u>	<u>93,242,563</u>
Raw materials and consumables used		6,546,911	6,303,962
Employee benefit expense	7	30,054,600	31,132,362
Employee incentive scheme payments		167,225	209,321
Depreciation and amortisation expense	11, 13	4,702,302	6,549,857
Professional and other fees		13,371,926	13,476,685
Occupancy and property expense		3,906,942	3,652,123
IT and communications expense		5,362,818	5,652,417
Marketing, advertising and public relations expense		1,717,423	1,602,909
Other expenses	8	(1,269,910)	9,904,167
Total expenses		<u>64,560,237</u>	<u>78,483,803</u>
Results from operating activities		<u>32,038,284</u>	<u>14,758,760</u>
Finance income	9	942,433	1,003,241
Finance expense	9	(35,284,012)	(32,288,793)
Net finance expense		<u>(34,341,579)</u>	<u>(31,285,552)</u>
Gain on sale of associate		-	1,152,113
Profit / (Loss) from continued operation before income tax		<u>(2,303,295)</u>	<u>(15,374,679)</u>
Income tax (expense)/benefit	10	(10,422,453)	(866,504)
Profit / (Loss) from continued operation for the period after tax		<u>(12,725,748)</u>	<u>(16,241,183)</u>
Other comprehensive income			
Net change in fair value of cash-flow hedges		1,366,420	24,133
Other comprehensive income for the period, net of income tax		<u>1,366,420</u>	<u>24,133</u>
Total comprehensive loss for the period		<u>(11,359,328)</u>	<u>(16,217,050)</u>
Profit / (Loss) attributable to:			
Equity holders of the Company		(14,856,169)	(15,320,939)
Minority interest		2,130,421	(920,244)
Loss for the period		<u>(12,725,748)</u>	<u>(16,241,183)</u>
Total comprehensive loss attributable to:			
Equity holders of the Company		(13,118,564)	(15,425,916)
Minority interest		1,759,236	(791,134)
Total comprehensive loss for the period		<u>(11,359,328)</u>	<u>(16,217,050)</u>

The notes on pages 10 to 40 are an integral part of these consolidated financial statements.

Healthbridge Enterprises Pty Ltd

Consolidated statement of financial position

As at 30 June 2013

<i>In AUD</i>	Note	Consolidated	
		2013	2012
Assets			
Cash and cash equivalents	17	40,631,617	29,600,343
Trade and other receivables	15	4,331,445	4,213,499
Other assets	16	2,266,594	2,909,944
Total current assets		<u>47,229,656</u>	<u>36,723,786</u>
Trade and other receivables	15	25,000	-
Deferred tax assets	14	481,594	1,813,931
Property, plant and equipment	11	6,729,434	29,901,019
Intangible assets	13	209,131,477	205,383,858
Other assets	16	3,172,914	3,483,398
Total non-current assets		<u>219,540,419</u>	<u>240,582,206</u>
Total assets		<u>266,770,075</u>	<u>277,305,992</u>
Liabilities			
Trade and other payables	21	15,173,070	13,617,704
Loans and borrowings	19	102,768,860	4,425,868
Employee benefits	20	4,642,306	3,913,854
Current tax payable	14	145,407	4,742,695
Total current liabilities		<u>122,729,643</u>	<u>26,700,121</u>
Loans and borrowings	19	181,216,219	280,295,729
Employee benefits	20	655,915	514,853
Deferred tax liabilities	14	9,079,182	2,360,556
Trade and other payables		8,332	18,327
Total non-current liabilities		<u>190,959,648</u>	<u>283,189,465</u>
Total liabilities		<u>313,689,291</u>	<u>309,889,586</u>
Net assets/(liabilities)		<u>(46,919,216)</u>	<u>(32,583,594)</u>
Equity			
Share capital	18	49,513,640	49,513,640
Reserves		(181,154)	460,351
Retained earnings		(63,096,199)	(52,037,946)
Total equity attributable to equity holders of the company		<u>(13,763,713)</u>	<u>(2,063,955)</u>
Minority interest		(33,155,503)	(30,519,639)
Total equity/(deficit)		<u>(46,919,216)</u>	<u>(32,583,594)</u>

The notes on pages 10 to 40 are an integral part of these consolidated financial statements.

Healthbridge Enterprises Pty Ltd

Consolidated statement of changes in equity

For the year ended 30 June 2013

<i>In AUD</i>	Share capital	Retained earnings	Translation reserve	Hedging reserve	Non-controlling interest	Total
Consolidated						
Balance at 30 June 2011	48,812,142	(37,434,997)		565,328	(29,231,321)	(17,288,848)
Shares issued during the year	701,498	-	-	-	-	701,498
Changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	-	-
Profit/(Loss) attributable to the members of parent	-	(15,320,939)	-	-	-	(15,320,939)
Dividends to non-controlling interest	-	-	-	-	(863,794)	(863,794)
Effective portion of changes in fair value of cash flow hedges	-	-	-	(104,977)	129,110	24,133
Profit/(Loss) attributable to minority interest	-	-	-	-	(920,244)	(920,244)
Changes in ownership interest in subsidiaries that do not result in a loss of control	-	717,990	-	-	366,610	1,084,600
Balance at 30 June 2012	49,513,640	(52,037,946)	-	460,351	(30,519,639)	(32,583,594)
Shares issued during the year	-	-	-	-	-	-
Profit/(Loss) attributable to the members of parent	-	(14,856,169)	-	-	-	(14,856,169)
Dividends to non-controlling interest	-	-	-	-	(2,152,755)	(2,152,755)
Effective portion of changes in fair value of cash flow hedges	-	-	-	1,737,605	(371,185)	1,366,420
Reclassification of reserves	-	2,433,089	-	(2,433,089)	-	-
Profit/(Loss) attributable to minority interest	-	-	-	-	2,130,421	2,130,421
Changes in ownership interest in subsidiaries that do not result in a loss of control	-	1,364,827	-	-	(2,242,345)	(877,518)
Acquisition of subsidiary with non-controlling interests	-	-	53,979	-	-	53,979
Balance at 30 June 2013	49,513,640	(63,096,199)	53,979	(235,133)	(33,155,503)	(46,919,216)

The notes on pages 10 to 40 are an integral part of these consolidated financial statements.

Healthbridge Enterprises Pty Ltd

Consolidated statement of cash flows

For the year ended 30 June 2013

<i>In AUD</i>	Note	Consolidated	
		2013	2012
Cash flows from operating activities			
Cash receipts from customers		106,115,427	104,112,796
Cash paid to suppliers and employees		(69,469,755)	(70,285,127)
Cash generated from operations		<u>36,645,672</u>	<u>33,827,669</u>
Interest paid		(10,497,263)	(12,573,726)
Income tax paid		(6,540,275)	(618,113)
Net cash flows from/(used in) operating activities	28	<u>19,608,134</u>	<u>20,635,830</u>
Cash flows from investing activities			
Interest received		1,316,432	1,003,241
Acquisition of paid property, plant and equipment	12	(3,297,017)	(2,895,105)
Proceeds from sale of property, plant and equipment		24,714,302	-
Acquisition of intangibles		(5,259,963)	-
Proceeds from sale of associates		-	1,152,113
Net cash flows from/(used in) investing activities		<u>17,473,755</u>	<u>(739,751)</u>
Cash flows from financing activities			
Proceeds from issue of share capital		-	701,498
Acquisition of minority interests		(877,518)	-
Proceeds from issue of promissory notes		-	1,598,502
Repayment of borrowings		(23,020,342)	(11,696,620)
Dividends paid on redeemable preference shares		-	(294,793)
Dividends paid to minority interests		(2,152,755)	(863,794)
Net cash flows from/(used in) financing activities		<u>(26,050,615)</u>	<u>(10,555,207)</u>
Net increase/(decrease) in cash and cash equivalents		11,031,274	9,340,872
Cash and cash equivalents at beginning of period		29,600,343	20,259,471
Cash and cash equivalents at end of period	18	<u>40,631,617</u>	<u>29,600,343</u>

The notes on pages 10 to 40 are an integral part of these consolidated financial statements.

Healthbridge Enterprises Pty Ltd

Notes to the financial statements

For the year ended 30 June 2013

1 Reporting entity

Healthbridge Enterprises Pty Ltd (the 'Company') is a for profit company domiciled in Australia. The address of the Company's registered office is Level 17, 1 Bligh Street, Sydney, NSW 2000. The consolidated financial statements as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in associates. The principal activities of the Group during the course of the financial period were the provision of medical services in the area of human reproduction and human pathology.

2 Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 24 December 2013

(b) Principles of consolidation

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

The value of trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(b) Principles of consolidation (continued)

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interests

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between entities within the Group are eliminated. Accounting policies of subsidiaries are consistent with the accounting policies of the Group.

Investments in associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost being the fair value of the consideration paid. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Minority interests in the result of subsidiaries are shown separately in the statement of comprehensive income and statement of financial position respectively.

(c) Basis of measurement

The consolidated financial statements have been prepared on an accrual basis and are based on historical cost except for the following:

- derivative financial instruments are measured at fair value; and
- non-derivative financial instruments at fair value through profit or loss are measured at fair value.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models. All derivative financial instruments are valued using unadjusted quoted prices in active markets for identical assets or liabilities.

(d) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Group's functional currency.

(e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The estimates and assumptions that have a significant risk in respect of estimates based on future events which could have a material impact on the assets and liabilities are:

Impairment of goodwill

The directors have assessed the valuation of goodwill based on best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The directors have assessed the recoverable amount of goodwill based on value-in-use calculations. These calculations are based on projected cash flows covering a period not exceeding five years. The present value of future cash flows has been calculated using a pre-tax discount rate of 13.49% to determine the value-in-use.

(f) Going concern

The Group is in a net asset deficiency position of \$46,919,216 (2012: \$32,583,594) and incurred a net loss of \$12,725,748 (2012: \$16,241,183). Whilst the Group is in a net asset deficiency position, this is due to the accruing of interest on promissory notes and redeemable preference shares. In line with the terms and conditions attached to these instruments, interest is accrued on a monthly basis however Healthbridge Enterprises Pty Ltd is under no obligation to pay interest until the earlier of maturity or a transaction involving the entity which issued the instrument. The maturity date of the promissory notes and accrued interest totalling \$138,700,641 is 30 November 2017. The maturity date of redeemable preference shares totalling \$22,316,835 is 30 November 2017. The maturity date of redeemable preference shares totalling \$20,162,292 is 16 December 2014, subsequent to the balance sheet date these December 2014 redeemable preference shares been repurchased as part of the group restructure. At 30 June 2013 the Group has a net current asset deficiency of \$75,499,987 (2012: current assets surplus over current liabilities of \$10,023,665) as a result of bank debt amounting to \$103,030,378 falling due in the current period. This bank debt has been refinanced subsequent to the balance sheet date and is now due for repayment more than twelve months post the balance sheet date. The Group has positive operating cashflows for the period then ended of \$19,608,133 (2012: \$20,635,830).

The Directors consider that there are reasonable grounds to believe the Group will be able to pay its debts as and when they fall due as forecast operating cashflows indicate that cash reserves should be sufficient to fund operations, and there will be the continuing financial support by the Group's bankers and other lenders.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at foreign exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such items are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented within equity in the translation reserve in equity.

(b) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: cash and cash equivalents, loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(iii) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge certain floating interest rate risk exposures.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below. All derivative financial instruments are valued using unadjusted quoted prices in active markets for identical assets or liabilities.

Cash flow hedge

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income and presented in the hedging reserve in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(iv) Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see below). Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "Other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	2013	2012
Property plant and equipment	2-10 years	2-10 years
Software	2-10 years	2-10 years
Buildings	40 years	40 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(d) Intangible assets

Goodwill

Goodwill on consolidation represents the excess of the cost of an acquisition over the fair value of the Company's share of net identifiable assets of the acquired entities at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, or an other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

(e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Group's statement of financial position.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost.

(g) Impairment

(i) Financial assets (including receivables)

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(i) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefits are measured at their present value of the estimated future cash outflow to be made in respect of services provided by the employees up to the reporting date. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Healthbridge Enterprises Pty Ltd

Notes to the financial statements (continued)

For the year ended 30 June 2013

(k) Revenue

(i) Services

Revenue from services rendered is recognised in the profit or loss on completion of services provided. An IVF cycle is completed upon egg collection (OPU).

Revenue from patient fees and auxiliary medical supplies is recognised when the medical procedure is performed or drugs are supplied.

(ii) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(iii) Other revenue

Other revenue is recognised when the right to receive revenue has been established.

(l) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Finance income and expense

Finance income relating to interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rate applicable to the financial assets.

Finance expense comprises interest expense on borrowings, leases, dividends on preference shares classified as liabilities and losses on hedging instruments that are recognised in profit or loss. Finance costs are expensed as incurred.

Foreign currency gains and losses are reported on a net basis.

(n) Income tax

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(n) Income tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Company does not distribute non-cash assets as dividends to its shareholders.

(i) Tax consolidation

Healthbridge Enterprises and its controlled entities have implemented the tax consolidation legislation and formed a tax-consolidated Group from 8 October 2008. From 10 October 2008 Healthbridge Repromed Pty Ltd and its controlled entities joined the Healthbridge Enterprises Pty Ltd tax consolidation Group. On 28 March 2010 Healthbridge Repromed and its wholly owned subsidiaries exited Healthbridge Enterprises Pty Ltd tax consolidated Group. On 29 March 2010 Healthbridge Repromed and its controlled entities formed a new tax consolidation Group with Healthbridge Repromed Pty Ltd being the head entity. The parent entity and subsidiaries in the tax-consolidated Group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated Group in respect of tax amounts.

Monash IVF Holdings Pty Ltd and its subsidiaries implemented the tax consolidation legislation and have formed a tax-consolidated Group from 14 December 2007. Monash IVF Holdings Pty Ltd and subsidiaries in the tax-consolidated Group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated Group in respect of tax amounts.

Current tax expense (income), deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are allocated to the Company and recognised using a 'Group allocation' approach. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity, and are recognised as amounts payable/(receivable) to other entities in the tax-consolidated Group in conjunction with the tax funding arrangement amounts.

(n) Income tax (continued)

The Company recognises deferred tax assets arising from unused tax losses to the extent that it is probable that future taxable profits of the Company will be available against which the assets can be utilised. The Company assesses the recovery of its unused tax losses and tax credits only in the period in which they arise, and before assumption by the head entity, in accordance with AASB 112 applied in the context of the tax-consolidated Group. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability are recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing arrangements

The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the Company recognising an inter-entity payable/(receivable) equal in amount to the tax liability/ (asset) assumed. The inter-entity payable/(receivable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated Group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(iii) Taxation of financial arrangements

The Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009 and other technical amendments (TOFA legislation) have been substantively enacted. The TOFA legislation provides a framework for the taxation of financial arrangements, potentially providing closer alignment between tax and accounting outcomes. The regime does this by introducing a number of default and elective tax-timing methods which can be applied to take account of gains and losses from a financial arrangement.

(o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(p) Investments accounted for using the equity method

The equity method of accounting has been applied and recognised in the financial statements in relation to all associated companies. An associated company is a company over which the economic entity is able to exercise significant influence.

(q) Borrowing and preference shares

Borrowings are classified as current liabilities unless the Group/Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any differences between proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the statement of comprehensive income as finance costs.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Credit risk is managed on a consolidated Group basis and reviewed regularly by the administrative / accounts receivable function. Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposure against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment.

Payment reminder notices are issued to customers with outstanding balances at 30, 60 and 90 days. After which, collection of this debt is handled by a collection agency.

(b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking financial analysis in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group enters into derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board.

Foreign exchange risk

The Group is not exposed to material levels of foreign currency risk at the reporting date or during the financial year.

Interest rate risk

Interest rate risk is managed using a mix of fixed and floating rate debt. At 30 June 2013 approximately 65% of Group debt is fixed. This is achieved by entering into interest rate swaps to mitigate interest rate risk on floating debt.

Price risk

The Group is not exposed to any material commodity price risk.

Capital management

Management control the capital of the Group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and to ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There are no externally imposed capital requirements.

5 Economic dependency

The continuing provision of medical services in the area of human reproduction is dependent on the supply of certain drugs for use in its programs for which only two suppliers operate in Australia. Any shortage of supply, or delay in delivery could have a material impact on the company's operations. The Group's human reproduction operations are dependent on remaining accredited by the relevant authorities.

Healthbridge Enterprises Pty Ltd

Notes to the financial statements (continued)

For the year ended 30 June 2013

6 Revenue

<i>In AUD</i>	<i>Note</i>	Consolidated	
		2013	2012
Service revenue		95,072,816	88,864,927
Drug sales		870,915	800,456
Government grants		98,307	96,000
Other revenue		556,483	3,481,180
		<u>96,598,521</u>	<u>93,242,563</u>

7 Employee benefit expense

<i>In AUD</i>	Consolidated	
	2013	2012
Salaries and other employee benefits	27,726,185	28,924,040
Superannuation contributions	2,328,415	2,208,322
	<u>30,054,600</u>	<u>31,132,362</u>

8 Other expenses

<i>In AUD</i>	<i>Note</i>	Consolidated	
		2013	2012
Impairment loss on PPE	11	-	9,000,000
Gain on disposal of PPE		(1,633,621)	-
Other		363,711	904,167
		<u>(1,269,910)</u>	<u>9,904,167</u>

9 Finance income and finance costs

Recognised in profit or loss

<i>In AUD</i>	Consolidated	
	2013	2012
Interest income	942,433	1,003,241
Finance income	<u>942,433</u>	<u>1,003,241</u>
Borrowing costs	(497,887)	(654,864)
Interest costs on financial liabilities at amortised cost	(34,786,125)	(31,633,929)
Finance costs	<u>(35,284,012)</u>	<u>(32,288,793)</u>
Net finance expense recognised in profit or loss	<u>(34,341,579)</u>	<u>(31,285,552)</u>

Healthbridge Enterprises Pty Ltd

Notes to the financial statements (continued)

For the year ended 30 June 2013

10 Income tax expense

<i>In AUD</i>	<i>Note</i>	Consolidated	
		2013	2012
Current tax expense/(benefit)		2,673,476	5,322,266
Deferred tax expense/(benefit)		7,748,977	(4,455,762)
Total income tax expense/(benefit)		<u>10,422,453</u>	<u>866,504</u>

Numerical reconciliation between tax expense and pre-tax accounting profit

<i>In AUD</i>	<i>Note</i>	Consolidated	
		2013	2012
Loss for the period		(12,725,748)	(16,241,183)
Total income tax (benefit)/expense		10,422,453	866,504
Loss excluding income tax		<u>(2,303,295)</u>	<u>(15,374,679)</u>
Income tax using the Group's statutory income tax rate of 30% (2012: 30%)		(690,989)	(4,612,404)
Non-deductible interest		2,629,318	2,539,311
Effect of tax rates in foreign jurisdiction		38,352	-
Derecognition of tax losses		3,101,508	3,062,875
TOFA adjustments		2,691,620	(4,019,676)
Deferred tax assets not recognised		-	2,700,000
Other items (net)		2,379,795	3,605,989
Under/(over) provision of previous year		272,849	(2,409,591)
		<u>10,422,453</u>	<u>866,504</u>

Healthbridge Enterprises Pty Ltd

Notes to the financial statements (continued)

For the year ended 30 June 2013

11 Property, plant and equipment

<i>In AUD</i>	Consolidated			
	Land	Building	Plant and equipment	Total
Cost or deemed cost				
Balance at 30 June 2011	7,790,000	27,751,645	22,221,643	57,763,288
Additions	-	162,823	2,732,282	2,895,105
Disposals	-	-	(447,555)	(447,555)
Balance at 30 June 2012	<u>7,790,000</u>	<u>27,914,468</u>	<u>24,506,370</u>	<u>60,210,838</u>
Additions	-	-	3,297,017	3,297,017
Disposals	(7,790,000)	(27,914,468)	(5,123,811)	(40,828,279)
Balance at 30 June 2013	<u>-</u>	<u>-</u>	<u>22,679,576</u>	<u>22,679,576</u>

<i>In AUD</i>	Consolidated			
	Land	Building	Plant and equipment	Total
Depreciation and impairment losses				
Balance at 30 June 2011	-	(4,099,257)	(12,923,828)	(17,023,085)
Depreciation for the year	-	(1,790,548)	(2,934,950)	(4,725,498)
Disposals	-	-	438,764	438,764
Impairment loss	-	(9,000,000)	-	(9,000,000)
Balance at 30 June 2012	<u>-</u>	<u>(14,889,805)</u>	<u>(15,420,014)</u>	<u>(30,309,819)</u>
Depreciation for the year	-	(517,711)	(2,870,209)	(3,387,920)
Disposals	-	15,407,516	2,340,081	17,747,598
Balance at 30 June 2013	<u>-</u>	<u>0</u>	<u>(15,950,142)</u>	<u>(15,950,142)</u>
Carrying amount				
At 30 June 2012	<u>7,790,000</u>	<u>13,024,663</u>	<u>9,086,356</u>	<u>29,901,019</u>
At 30 June 2013	<u>-</u>	<u>-</u>	<u>6,729,434</u>	<u>6,729,434</u>

All property, plant and equipment assets are held as security by lenders of commercial loans detailed in note 19.

12 Acquisitions of subsidiary and non-controlling interests

On 1 January 2013 the Group obtained control of KL Fertility & Gynaecology Centre SDN. BHD., a company incorporated in Malaysia with principal activities to provide Assisted Reproductive Technology (ART) services, gynaecological services, In-Vitro Fertilisation (IVF) laboratory services, specialist consultancy services and general clinical services to patients at their own and other medical centres and hospitals, by acquiring 65 percent of the shares and voting interests in the company. The vendor being the primary Doctor at the Clinic retains a 35% interest in the business.

Taking control of KL Fertility & Gynaecology Centre SDN. BHD. will enable the Group to expand the IVF business with south east Asia in particular holding strong growth opportunities and being able to benefit from many aspects of the Australian IVF business including scientific methods and protocols.

In the six months to 30 June 2013 KL Fertility & Gynaecology Centre SDN. BHD. contributed revenue of \$1,841,740 and profit of \$567,144 to the Group's results.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date. All amounts are provisional at the balance sheet date.

Consideration transferred

in thousands of dollars

Cash	5,219
Total	5,219

Identifiable assets required and liabilities assumed

in thousands of dollars

Cash	49
Inventory	21
Receivables	3
Other current assets	35
Property, plant and equipment	83
Tax assets and liabilities	(67)
Trade and other payables	(17)
Net assets acquired	108

The above identifiable assets required and liabilities assumed have been determined at fair value.

Goodwill

Goodwill was recognised as a result of the acquisition as follows.

in thousands of dollars

Total consideration transferred	5,219
Non-controlling interests based on their proportionate interest in the recognised amounts of the assets and liabilities of KL Fertility & Gynaecology Centre SDN. BHD.	38
Fair value of identifiable net assets	(108)
	5,149

Acquisition-related costs

The Group incurred acquisition related costs of \$174,468 relating to external legal fees and due diligence costs. These costs have been included in 'other expenses' in the Group's statement of profit or loss and other comprehensive income.

13 Intangible assets

Cost	Goodwill	Software	Trademark	Public Contract	Patient Relationships	Employment Contracts	Total
Balance at 1 July 2011	182,019,686	8,488,865	19,845,000	688,000	6,977,000	1,922,000	219,940,551
Additions	-	105,254	-	-	-	-	105,254
Acquisition through business combination	997,523	-	-	-	-	-	997,523
Balance at 30 June 2012	183,017,209	8,594,119	19,845,000	688,000	6,977,000	1,922,000	221,043,328
Balance at 1 July 2012	183,017,209	8,594,119	19,845,000	688,000	6,977,000	1,922,000	221,043,328
Additions	-	40,641	-	-	-	-	40,641
Acquisition through business combination	5,149,134	-	-	-	-	-	5,149,134
Balance at 30 June 2013	188,166,343	8,634,760	19,845,000	688,000	6,977,000	1,922,000	226,233,103
Amortization and impairment losses							
Balance at 1 July 2011	(1,549,000)	(3,721,072)	-	(374,347)	(6,977,000)	(1,213,692)	(13,835,111)
Amortization for the year	-	(1,045,714)	-	(137,977)	-	(640,668)	(1,824,359)
Balance at 30 June 2012	(1,549,000)	(4,766,786)	-	(512,324)	(6,977,000)	(1,854,360)	(15,659,470)
Balance at 1 July 2012	(1,549,000)	(4,766,786)	-	(512,324)	(6,977,000)	(1,854,360)	(15,659,470)
Amortization for the year	-	(1,236,911)	-	(137,605)	-	(67,640)	(1,442,156)
Balance at 30 June 2013	(1,549,000)	(6,003,697)	-	(649,929)	(6,977,000)	(1,922,000)	(17,101,626)
Carry amounts							
at 30 June 2012	181,468,209	3,827,333	19,845,000	175,676	-	67,640	205,383,858
at 30 June 2013	186,617,343	2,631,063	19,845,000	38,071	-	-	209,131,477

13 Intangible assets (continued)**Impairment testing for cash-generating units containing goodwill**

<i>In AUD</i>	Consolidated	
	2013	2012
<i>Goodwill allocated to:</i>		
Repromed Finance Pty Ltd	81,435,344	81,435,344
Monash IVF Holdings Pty Ltd	100,032,865	100,032,865
KL Fertility & Gynaecology Centre	5,149,134	-
	<u>186,617,343</u>	<u>181,468,209</u>

For the purpose of impairment testing, goodwill acquired in the prior periods is allocated to Repromed Finance Pty Ltd, Monash IVF Holdings Pty Ltd and KL Fertility & Gynaecology Centre which represent the lowest levels within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of Repromed Finance Pty Ltd and its controlled entities and Monash IVF Holdings Pty Ltd and its controlled entities was based on its value in use. The recoverable value of KL Fertility & Gynaecology Centre was based on its fair value less costs to sell.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the 5-year business plan approved by the Board in 2013. Cash flow for a further period were extrapolated using a constant growth rate of 3 percent (2012: 3%), based on directors' understanding of expected future business development.
- A pre-tax discount rate of 13-14% (2012: 13-14%) was applied in determining the recoverable amount. The discount rate was estimated based on past experience, and industry average weighted cost of capital.

Healthbridge Enterprises Pty Ltd

Notes to the financial statements (continued)

For the year ended 30 June 2013

14 Tax assets and liabilities

Current tax assets and liabilities

<i>In AUD</i>	Consolidated	
	2013	2012
Current tax receivable/(liability)	(145,407)	(4,742,695)
	<u>(145,407)</u>	<u>(4,742,695)</u>

Deferred tax liability

Deferred tax assets have not been recognised in respect of the following items:

<i>In AUD</i>	Consolidated	
	2013	2012
Opening balance	(2,360,556)	(13,576,150)
Charged to income	(6,718,626)	11,215,594
Closing balance	<u>(9,079,182)</u>	<u>(2,360,556)</u>

Deferred tax asset

<i>In AUD</i>	Consolidated	
	2013	2012
Opening balance	1,813,931	8,826,150
Charged to income	(1,030,350)	(6,759,832)
Charged to other comprehensive income	(301,987)	(252,387)
Closing balance	<u>481,594</u>	<u>1,813,931</u>

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>In AUD</i>	Deferred tax assets		Deferred tax liabilities	
	For the period ended 30/06/2013	For the period ended 30/06/2012	For the period ended 30/06/2013	For the period ended 30/06/2012
Property, plant and equipment	460,961	961,815	-	-
Intangible assets	-	-	9,827,986	9,999,416
Employee benefits	590,397	422,435	-	-
Loans and borrowings	142,041	306,643	50,014	38,002
Trade and other receivables	-	-	-	-
Trade and other payables	1,417,723	1,094,921	-	-
Tax losses carried forward	1,398,350	5,512,534	-	-
Other items	2,013,720	1,165,960	4,753,715	286,437
Cash flow hedges	10,935	312,922	-	-
Tax assets/liabilities before set off	<u>6,034,127</u>	<u>9,777,230</u>	<u>14,631,715</u>	<u>10,323,855</u>
Set off of tax	<u>(5,552,533)</u>	<u>(7,963,299)</u>	<u>(5,552,533)</u>	<u>(7,963,299)</u>
Tax assets/liabilities	<u>481,594</u>	<u>1,813,931</u>	<u>9,079,182</u>	<u>2,360,556</u>

Directors believe that tax losses are recoverable based on future budget forecasts and their understanding of business

During the year, tax losses of \$8,867,370 (\$2,660,211 tax effected) in relation to Healthbridge Hawthorn Holdings tax group have been de-recognised on the basis that the Hawthorn hospital and property have been sold and the entity has effectively ceased trading. In total tax losses totalling \$12,371,542 have not been recognised as at 30 June 2013 (2012: \$3,062,875) as it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Healthbridge Enterprises Pty Ltd

Notes to the financial statements (continued)

For the year ended 30 June 2013

15 Trade and other receivables

<i>In AUD</i>	Consolidated	
	2013	2012
Current		
Trade receivables	2,653,454	2,639,479
Provision for impairment	(281,926)	(191,909)
	<u>2,371,528</u>	<u>2,447,570</u>
Other debtors	1,444,176	1,388,380
Loan to other related party	-	-
Accrued income	515,741	377,549
	<u>4,331,445</u>	<u>4,213,499</u>
Non-current		
Non-current related party receivable	25,000	-
Other non-current	-	-
	<u>25,000</u>	<u>-</u>

16 Other assets

<i>In AUD</i>	Consolidated	
	2013	2012
Current		
Prepayments	965,517	808,360
Inventory	721,281	533,297
Other current assets	579,796	1,568,287
	<u>2,266,594</u>	<u>2,909,944</u>
Non-current		
Investments	250,000	250,100
Related party loans	2,922,914	3,233,298
	<u>3,172,914</u>	<u>3,483,398</u>

17 Cash and cash equivalents

<i>In AUD</i>	Consolidated	
	2013	2012
Cash at bank and in hand	7,484,647	8,273,594
Short-term bank deposits	33,146,970	21,326,749
Cash and cash equivalents	<u>40,631,617</u>	<u>29,600,343</u>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 22.

Healthbridge Enterprises Pty Ltd

Notes to the financial statements (continued)

For the year ended 30 June 2013

18 Capital and reserves

Share capital

	Number of ordinary shares	
	30 June 2013	30 June 2012
On issue at 30 June– fully paid		
A class ordinary shares	30,073,065	30,073,065
B class ordinary shares	19,440,586	19,440,586
Z class shares	10	10
Z class special shares	10	10
	<u>49,513,671</u>	<u>49,513,671</u>

Share capital of the Group is divided into A ordinary shares, B ordinary shares and Z class shares. A and B ordinary shares confer on their holders the same entitlements in all respects. Z class shares do not confer on their holders any entitlements to participate in the profits or assets or attend and vote at any general meeting. Subject to and immediately prior to an exit event each Z class share will be automatically converted, without any requirement for board or share holder approval, into B Ordinary Share by subdividing Z class share into a greater number of shares in accordance with the formula set.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares have no par value.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Unused franking credits

	Company	
	2013	2012
Unused franking credits	2,501,604	2,501,604

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for franking credits that will arise from the payment of the current tax liabilities. The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

Healthbridge Enterprises Pty Ltd

Notes to the financial statements (continued)

For the year ended 30 June 2013

19 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the Group's exposure to interest rate and liquidity risk, see note 22.

In AUD

	Consolidated	
	2013	2012
Non-current liabilities		
Commercial loans	-	120,638,251
Promissory notes	138,700,641	117,135,479
Redeemable preference shares ('RPS')	42,479,127	41,525,496
Capitalised finance facility fees	-	(661,128)
Derivatives	36,451	1,657,631
	<u>181,216,219</u>	<u>280,295,729</u>
Current liabilities		
Derivatives	153,108	-
Commercial loans	103,030,378	4,840,474
Capitalised finance facility fees	(414,626)	(414,606)
	<u>102,768,860</u>	<u>4,425,868</u>

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				Consolidated	
				2013	
<i>In AUD</i>	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Commercial loans	AUD	8%	2013	33,030,378	33,030,378
Commercial loans	AUD	9%	2013	70,000,000	70,000,000
Promissory notes	AUD	14%	2017	138,700,641	138,700,641
Redeemable preference shares	AUD	14%	2017	22,316,835	22,316,835
Redeemable preference shares	AUD	16%	2014	20,162,292	20,162,292
Total interest-bearing liabilities				<u>284,210,146</u>	<u>284,210,146</u>

Commercial loans are secured over all assets of Healthbridge Repromed Pty Ltd and Monash IVF Holdings Pty Ltd and their controlled entities, with a total carrying amount of \$320m (2012: 347m). Loans contain certain covenants requiring quarterly compliance.

Unused debt facility amounted to nil as at 30 June 2013 (2012: nil).

Healthbridge Enterprises Pty Ltd

Notes to the financial statements (continued)

For the year ended 30 June 2013

19 Loans and borrowings (continued)

Promissory notes accrue interest on a monthly basis, however promissory notes and interest are payable in cash on the earlier of 30 November 2017, immediately prior to the date of share sale or listing on ASX or as elected by the directors of Healthbridge Enterprises Pty Ltd.

RPS's of \$22,316,835 must be redeemed on the earlier of the 30 November 2017, immediately prior to the date Healthbridge Enterprises Pty Ltd is listed on the ASX or if there is a sale of all of the shares. RPS's of \$20,162,292 must be redeemed on the earlier of the 16 December 2014, immediately prior to the winding up or if there is a sale of all of the shares of Monash IVF Holding Pty Ltd. RPS's accumulate interest on a monthly basis.

Promissory notes and Redeemable preference shares are not secured but rank in priority to ordinary shareholders upon wind-up. For accounting purposes the Group has classified these as a debt instrument.

<i>In AUD</i>	Currency	Nominal interest rate	Year of maturity	Consolidated	
				2012	2012
				Face value	Carrying amount
Commercial loans	AUD	8%	2013	37,194,985	37,194,985
Commercial loans	AUD	9%	2013	88,283,740	88,283,740
Promissory notes	AUD	14%	2017	117,135,479	117,135,479
Redeemable preference shares	AUD	14%	2017	19,613,782	19,613,782
Redeemable preference shares	AUD	16%	2014	21,911,714	21,911,714
Total interest-bearing liabilities				<u>284,139,700</u>	<u>284,139,700</u>

20 Employee benefits

<i>In AUD</i>	Consolidated	
	2013	2012
Current		
Liability for long service leave	2,350,809	1,851,716
Liability for annual leave	2,291,497	2,062,138
Total employee benefits - current	<u>4,642,306</u>	<u>3,913,854</u>
Non-current		
Liability for long service leave	655,915	514,853
Total employee benefits – non current	<u>655,915</u>	<u>514,853</u>

A provision has been recognised for employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data.

21 Trade and other payables

Current

In AUD

Trade payables
Accrued expense
Prepaid income
Other current liabilities

Consolidated	
2013	2012
1,160,897	1,267,716
4,442,552	4,963,009
5,160,538	4,626,379
4,409,083	2,760,600
<u>15,173,070</u>	<u>13,617,704</u>

22 Financial Instruments

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

In AUD

Trade and other receivables
Other assets
Cash and cash equivalents

Consolidated	
2013	2012
4,356,445	4,213,499
5,439,508	6,393,342
40,631,617	29,600,343
<u>50,427,570</u>	<u>40,207,184</u>

The ageing of the Group's trade receivables at the reporting date was:

In AUD

Past due 0-30 days
Past due 31-120 days
Past due more than 121 days
Provision for impairment

Consolidated	
2013	2012
1,533,258	1,920,774
672,257	348,447
447,938	370,258
(281,926)	(191,909)
<u>2,371,528</u>	<u>2,447,570</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Consolidated	
2013	2012
191,909	146,877
90,017	45,032
<u>281,926</u>	<u>191,909</u>

22 Financial Instruments (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated

30 June 2013

In AUD

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities					
Bank overdraft and loans	103,030,378	(111,972,808)	(111,972,808)	-	-
Promissory notes	138,700,641	(250,751,799)	-	(250,751,799)	-
Redeemable preference shares	42,479,127	(66,780,437)	-	(24,843,561)	(41,936,876)
Trade and other payables	10,012,532	(10,012,532)	(10,012,532)	-	-
	<u>294,222,678</u>	<u>(439,517,576)</u>	<u>(121,985,340)</u>	<u>(275,595,360)</u>	<u>(41,936,876)</u>

Consolidated

30 June 2012

In AUD

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities					
Bank overdraft and loans	125,478,725	(140,086,140)	(15,761,610)	(124,324,530)	-
Promissory notes	117,135,479	(243,077,005)	-	-	(243,077,005)
Redeemable preference shares	41,525,496	(77,955,158)	-	(26,999,162)	(50,955,996)
Trade and other payables	8,991,325	(8,991,325)	(8,991,325)	-	-
	<u>293,131,025</u>	<u>(470,109,628)</u>	<u>(24,752,935)</u>	<u>(151,323,692)</u>	<u>(294,033,001)</u>

Fair values

Fair values versus carrying amounts

The fair values equal carrying amounts as at 30 June 2013 as well as 30 June 2012.

Foreign exchange risk

The Group's exposure to foreign currency risk at reporting date was as follows, based on notional amounts:

<i>In AUD</i>	Consolidated			
	AUD		MYR	
	30 June 2013		30 June 2012	
Trade receivables	-	-	-	-
Trade payables	-	-	-	-
Net statement of financial position exposure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Interest rate risk

The maximum exposure to credit risk by class of recognised financial assets at reporting date, excluding the value of any collateral or other security held is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Interest rate risk is managed using a mix of floating and fixed rate debt. This is achieved by entering into interest rate swaps.

22 Financial Instruments (continued)**Interest rate risk (continued)**

<i>In AUD</i>	Consolidated Carrying amount	
	2013	2012
<i>Fixed rate instruments</i>		
Financial assets	4,356,445	4,213,499
Financial liabilities	(181,179,768)	(158,660,975)
	<u>(176,823,323)</u>	<u>(154,447,476)</u>
<i>Variable rate instruments</i>		
Financial assets	40,631,617	29,600,343
Financial liabilities	(103,030,378)	(125,478,725)
	<u>(62,398,761)</u>	<u>(95,878,382)</u>

The Group does not have any material credit risk exposure to any single receivable or Group of receivables under financial instruments entered into by the Group. The trade receivables balance at reporting date does not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant.

	Consolidated profit or loss			
	2013		2012	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets	78,315	(78,315)	10,032	(10,032)
Financial liabilities	(49,207)	49,207	(125,737)	125,737
	<u>29,108</u>	<u>(29,108)</u>	<u>(115,705)</u>	<u>115,705</u>

23 Operating leases**Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

<i>In AUD</i>	Consolidated	
	2013	2012
Less than one year	3,103,586	4,954,031
Between one and five years	9,049,115	19,700,106
More than five years	3,734,938	11,800,251
	<u>15,887,639</u>	<u>36,454,388</u>

24 Capital expenditure commitments

The Group has capital expenditure commitments of \$1.2m as at 30 June 2013 (2012: nil)

25 Contingent liabilities

The Director's are not aware of any contingent liabilities as at reporting date.

26 Employee compensation commitments**Key management personnel**

	Consolidated	
	2013	2012
Short-term benefits	2,217,990	2,221,070
Post Employment benefits	155,310	143,701
	<u>2,373,299</u>	<u>2,364,771</u>

27 Reconciliation of cash flows from operating activities

<i>In AUD</i>	<i>Note</i>	Consolidated	
		2013	2012
Cash flows from operating activities			
Loss for the period		(12,725,748)	(16,241,183)
Adjustments for:			
Net finance expense	10	34,341,579	31,285,552
Depreciation and amortisation		4,702,302	6,549,857
Income tax expense	11	10,422,453	866,504
Impairment loss	9	-	9,000,000
Loss on disposal of PPE		(1,633,621)	8,791
Net profit on sale of associate		-	(1,152,113)
Operating profit before changes in working capital and provisions		<u>35,106,965</u>	<u>30,317,408</u>
Change in trade and other receivables	16	(142,946)	1,865,445
Change in other assets		(733,231)	(84,505)
Change in trade and other payables	22	1,545,370	1,009,030
Change in provisions and employee benefits	21	869,514	720,291
		<u>36,645,672</u>	<u>33,827,669</u>
Net interest paid		(10,497,263)	(12,573,726)
Income taxes paid		(6,540,275)	(618,113)
Net cash from operating activities		<u>19,608,134</u>	<u>20,635,830</u>

Healthbridge Enterprises Pty Ltd

Notes to the financial statements (continued)

For the year ended 30 June 2013

28 Group entities

Ultimate controlling party

The ultimate controlling party of the Group is Ironbridge Fund II LP. The ultimate controlling party was the same in the prior reporting period.

Parent entity	Country of incorporation	Ownership interest	
		2013	2012
Healthbridge Enterprises Pty Ltd	Australia		
Significant subsidiaries			
Healthbridge IVF Holdings Pty Ltd	Australia	100.0%	100.0%
Healthbridge Shared Services Pty Ltd	Australia	100.0%	100.0%
Healthbridge Repromed Pty Ltd	Australia	98.3%	98.3%
Repromed Finance Pty Ltd	Australia	98.3%	98.3%
Repromed Holdings Pty Ltd	Australia	98.3%	98.3%
Prepromed NZ Holding Pty Ltd	Australia	98.3%	98.3%
Repromed Australia Pty Ltd	Australia	98.3%	98.3%
Adelaide Fertility Centre Pty Ltd	Australia	98.3%	98.3%
Monash IVF Holdings Pty Ltd	Australia	69.4%	66.4%
Monash IVF Finance Pty Ltd	Australia	69.4%	66.4%
Monash IVF Pty Ltd	Australia	69.4%	66.4%
Wesley Monash IVF Pty Ltd*	Australia	41.6%	39.8%
Wesley Monash JV*	Australia	41.6%	39.8%
Monash Reproductive Pathology and Genetics Pty Ltd	Australia	69.4%	66.4%
Monash Ultrasound Pty Ltd	Australia	51.7%	50.1%
Healthbridge Property Holdings Pty Ltd	Australia	100.0%	100.0%
Healthbridge Property Hawthorn Pty Ltd	Australia	100.0%	100.0%
Healthbridge Obstetrics Holdings Pty Ltd	Australia	100.0%	100.0%
Healthbridge CMS Pty Ltd	Australia	92.0%	92.0%
Healthbridge Hawthorn Holdings Pty Ltd	Australia	92.0%	81.5%
Healthbridge Hawthorn Finance Pty Ltd	Australia	92.0%	81.5%
Healthbridge Hawthorn Pty Ltd	Australia	92.0%	81.5%
KL Fertility & Gynaecology Centre	Malaysia	65.0%	-

* The Group's majority owned subsidiary Monash IVF Pty Ltd, holds a 60% interest in these entities as at 30/06/13 (2012: 60%).

29 Parent entity

In AUD	Company	
	30/06/2013	30/06/2012
	\$	\$
Result of the parent entity		
Profit/(loss) for the period	848,447	(2,592,120)
Other comprehensive income	-	-
Total comprehensive loss for the period	<u>848,447</u>	<u>(2,592,120)</u>
Financial position of the parent entity at year end		
Current assets	498,112	3,686,177
Total assets	200,937,469	180,788,352
Current liabilities	77,573	480,722
Total liabilities	156,530,655	137,229,985
Total equity of the parent entity comprising of:		
Share capital	49,513,650	49,513,650
Retained earnings	(5,106,836)	(5,955,283)
Total equity	<u>44,406,814</u>	<u>43,558,367</u>

30 Subsequent events

On 18 July 2013 a subsidiary acquired 100% of the share capital of Yoncat Pty Limited trading as Reproductive Medicine Albury. The acquisition does not materially impact the operations of the Group.

On 24 October 2013 a restructure of the Group occurred with the aim of eliminating minority interests in subsidiaries, simplifying the Group structure with consequent administrative benefits. This was achieved by the minority shareholders in Monash IVF Holdings Pty Limited, Monash Ultrasound for Women Pty Limited and Healthbridge Repromed Pty Limited effectively exchanging equity and if applicable debt instruments issued by the subsidiaries for ordinary shares and debt instruments issued by Healthbridge Enterprises Pty Limited or the conversion of debt instruments into ordinary equity.

On 29 October 2013 bank debts owed by subsidiaries totalling \$102 million were repaid by way of a refinanced joint facility. The new finance facility is for 12 months with the borrowers holding an option to extend for a further 12 months.

On 31 October 2013 using funds generated by the Group and additional borrowings raised from the refinancing, a partial repayment of the interest and principal of debt instruments held by shareholders of the Company occurred.

On 2 December 2013, a subsidiary acquired the non controlling interests in Wesley Monash IVF Pty Limited and the Wesley Monash joint venture. The acquisition does not materially impact the operations of the Group.

Other than disclosed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

31 Auditors' remuneration

In AUD

Audit services

Auditors of the Company

KPMG Australia:

Audit and review of financial reports

Consolidated

	2013	2012
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	166,100	156,100
	166,100	156,100

Other services

Auditors of the Company

KPMG Australia

Other assurance services

Financial statement preparation assistance

Taxation services

	4,650	4,650
	45,000	45,000
	111,743	119,455
	161,393	169,105

32 Related party transactions**Transactions with key management personnel and related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Outstanding balances

<i>In AUD</i>	2013	Consolidated 2012
Other assets - non-current		
Repromed Management Trust	25,000	25,000
Management of Monash IVF Holdings Pty Ltd and their related parties	1,983,728	1,793,234
Management of Healthbridge CMS Pty Ltd and their related parties	600,284	600,284
	<u>2,609,012</u>	<u>2,418,518</u>
Redeemable preference shares, including interest payable and paid		
Shareholders of the Group	22,316,835	19,613,782
Promissory notes, including interest payable and		
Shareholders of the Group	138,700,641	117,135,479

Repromed Management Trust, Monash Management and Healthbridge CMS loans were provided to management to take equity ownerships into Healthbridge Repromed Pty Ltd, Monash IVF Holdings Pty Ltd and Healthbridge CMS and controlled entities respectively. The loan to Monash management accrues 5 per cent interest per annum. Loans are secured by any payment due to management and shares held. These loans are repayable on the date on which employment or services providing by management ceases, or on the date when shares are sold.

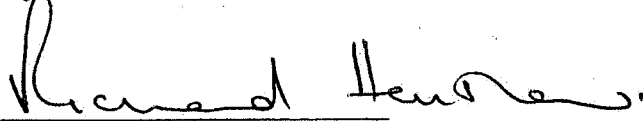
Healthbridge Enterprises Pty Ltd

Director's declaration

In the opinion of the directors of Healthbridge Enterprises Pty Ltd (the "Company"):

- a) the financial statements and notes that are set out on pages 6 to 40, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), other mandatory professional reporting requirements to the extent described in note 2, and the Corporations Regulations 2001; and
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- c) The financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Signed in accordance with a resolution of directors.



Richard Henshaw
Director

24-Dec-13



Independent auditor's report to the members of Healthbridge Enterprises Pty Ltd

Report on the financial report

We have audited the accompanying financial report of Healthbridge Enterprises Pty Ltd (the Company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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 the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

KPMG

Maurice Bisetto
Partner

Melbourne

24 December 2013