

**Healthbridge Enterprises Pty Ltd**

ABN 27 132 880 392

Interim financial report for the half year ended

31 December 2013

# Healthbridge Enterprises Pty Ltd

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# Healthbridge Enterprises Pty Ltd

## Directors' report

### For the half year ended 31 December 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 half year ended 31 December 2013, and the auditor's review 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	
Dr Richard Henshaw	4 November 2008	
Tom Woolley	8 October 2008	
James Thiedeman	30 October 2013	
Rodney Fox	30 October 2013	
Professor Gabor Kovacs	30 October 2013	
Dr Anthony Lawrence	30 October 2013	

#### 2 Principal activities

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

#### 3 Operating and financial review

##### Overview of the Group

The profit after tax for the equity holders of the Company for the half year ended 31 December 2013 was \$5,430,607 (2012: \$9,847,554 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.

#### 7 Events subsequent to reporting date

Since the end of the 6 months to 31 December 2013 the company has expanded the provision of its IVF service offering, commencing a more affordable IVF service offering in the Northern Suburbs of Brisbane

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.

#### 8 Likely developments

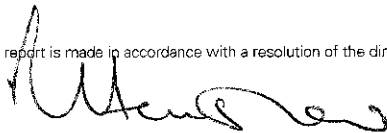
The Group expects to at a minimum maintain the present status and level of operations.

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.

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



Dr Richard Henshaw  
Director

26/03/2014

Healthbridge Enterprises Pty Ltd

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2013

<i>In AUD</i>	<b>Note</b>	<b>Consolidated</b>	
		<b>31/12/2013</b>	<b>31/12/2012</b>
<b>Continuing operations</b>			
Revenue		57,590,742	47,978,151
		<u>57,590,742</u>	<u>47,978,151</u>
Raw materials and consumables used		5,105,746	3,056,758
Employee benefit expense		16,866,941	15,126,967
Employee incentive scheme payments		33,750	65,975
Depreciation and amortisation expense		1,431,802	2,800,395
Professional and other fees		9,235,798	6,351,262
Occupancy and property expense		2,175,080	1,932,175
IT and communications expense		2,921,155	2,712,026
Marketing, advertising and public relations expense		1,403,898	921,193
Other expenses		866,515	(1,886,839)
<b>Total expenses</b>		<u>40,040,685</u>	<u>31,079,912</u>
<b>Results from operating activities</b>		17,550,057	16,898,239
Finance income		756,514	775,610
Finance expense		(14,367,384)	(20,773,671)
<b>Net finance expense</b>		<u>(13,610,870)</u>	<u>(19,998,061)</u>
Gain on sale of associate		-	-
<b>Profit / (Loss) from continued operation before income tax</b>		<u>3,939,187</u>	<u>(3,099,822)</u>
Income tax benefit/(expense)	4	3,647,900	(6,603,087)
<b>Profit / (Loss) from continued operation for the period after tax</b>		<u>7,587,087</u>	<u>(9,702,909)</u>
<b>Other comprehensive income</b>			
Net change in fair value of cash-flow hedges		159,438	609,186
<b>Other comprehensive income for the period, net of income tax</b>		<u>159,438</u>	<u>609,186</u>
<b>Total comprehensive profit / (loss) for the period</b>		<u>7,746,525</u>	<u>(9,093,723)</u>
<b>Profit / (Loss) attributable to:</b>			
Equity holders of the Company		5,430,607	(9,847,554)
Minority interest		2,156,480	144,645
<b>Profit/(loss) for the period</b>		<u>7,587,087</u>	<u>(9,702,909)</u>
<b>Total comprehensive profit / (loss) attributable to:</b>			
Equity holders of the Company		5,590,045	(8,867,183)
Minority interest		2,156,480	(226,540)
<b>Total comprehensive profit / (loss) for the period</b>		<u>7,746,525</u>	<u>(9,093,723)</u>

The notes on pages 7 to 16 are an integral part of these consolidated financial statements.

# Healthbridge Enterprises Pty Ltd

## Consolidated statement of financial position

As at 31 December 2013

In AUD

		<b>Consolidated</b>	
	<b>Note</b>	<b>31/12/2013</b>	<b>30/06/2013</b>
<b>Assets</b>			
Cash and cash equivalents		35,227,146	40,631,617
Trade and other receivables		3,828,662	4,331,445
Other assets		2,056,189	2,266,594
Current tax assets	4	-	-
<b>Total current assets</b>		<u>41,111,997</u>	<u>47,229,656</u>
Trade and other receivables		-	25,000
Deferred tax assets	4	-	481,594
Property, plant and equipment		7,659,986	6,729,434
Intangible assets		215,851,750	209,131,477
Other assets		2,057,497	3,172,914
<b>Total non-current assets</b>		<u>225,569,233</u>	<u>219,540,419</u>
<b>Total assets</b>		<u>266,681,230</u>	<u>266,770,075</u>
<b>Liabilities</b>			
Trade and other payables		16,579,365	15,173,070
Loans and borrowings	7	10,664,224	102,768,860
Employee benefits		5,044,113	4,642,306
Current tax payable	4	491,645	145,407
<b>Total current liabilities</b>		<u>32,779,347</u>	<u>122,729,643</u>
Loans and borrowings	7	195,142,406	181,216,219
Employee benefits		645,050	655,915
Deferred tax liabilities	4	2,875,914	9,079,182
Trade and other payables		3,333	8,332
<b>Total non-current liabilities</b>		<u>198,666,703</u>	<u>190,959,648</u>
<b>Total liabilities</b>		<u>231,446,050</u>	<u>313,689,291</u>
<b>Net assets/(liabilities)</b>		<u>35,235,180</u>	<u>(46,919,216)</u>
<b>Equity</b>			
Share capital	6	160,534,871	49,513,640
Reserves		(12,067)	(181,154)
Retained earnings		(125,572,899)	(63,096,199)
<b>Total equity attributable to equity holders of the company</b>		<u>34,949,905</u>	<u>(13,763,713)</u>
Minority interest		285,275	(33,155,503)
<b>Total equity/(deficit)</b>		<u>35,235,180</u>	<u>(46,919,216)</u>

The notes on pages 7 to 16 are an integral part of these consolidated financial statements.

Healthbridge Enterprises Pty Ltd

Consolidated statement of changes in equity  
For the half year ended 31 December 2013

<i>In AUD</i>	Share capital	Retained earnings	Translation reserve	Hedging reserve	Non-controlling interest	Total
<b>Consolidated</b>						
<b>Balance at 30 June 2012</b>	49,513,640	(52,037,946)	-	460,351	(30,519,639)	(32,583,594)
Shares issued during the period	-	-	-	-	-	-
Loss attributable to the members of parent	-	(9,847,554)	-	-	-	(9,847,554)
Dividends to non-controlling interest	-	-	-	-	(1,401,432)	(1,401,432)
Effective portion of changes in fair value of cash flow hedges	-	-	-	980,371	(371,185)	609,186
Profit attributable to minority interest	-	-	-	-	144,645	144,645
Changes in ownership interest in subsidiaries that do not result in a loss of control	-	1,030,210	-	-	(1,343,289)	(313,079)
<b>Balance at 31 December 2012</b>	<b>49,513,640</b>	<b>(60,855,290)</b>	<b>-</b>	<b>1,440,722</b>	<b>(33,490,900)</b>	<b>(43,391,828)</b>
<b>Balance at 30 June 2013</b>	<b>49,513,640</b>	<b>(63,096,199)</b>	<b>53,979</b>	<b>(235,133)</b>	<b>(33,155,503)</b>	<b>(46,919,216)</b>
Shares issued during the period	111,021,231	-	-	-	-	111,021,231
Profit attributable to the members of parent	-	5,430,607	-	-	-	5,430,607
Dividends to non-controlling interest	-	-	-	-	(342,031)	(342,031)
Effective portion of changes in fair value of cash flow hedges	-	-	-	159,438	-	159,438
Foreign currency translation differences	-	-	9,649	-	-	9,649
Profit attributable to minority interest	-	-	-	-	2,156,480	2,156,480
Changes in ownership interest in subsidiaries that do not result in a loss of control	-	(67,907,307)	-	-	31,626,329	(36,280,978)
<b>Balance at 31 December 2013</b>	<b>160,534,871</b>	<b>(125,572,899)</b>	<b>63,628</b>	<b>(75,695)</b>	<b>285,275</b>	<b>35,235,180</b>

The notes on pages 7 to 16 are an integral part of these consolidated financial statements.

Healthbridge Enterprises Pty Ltd

Consolidated statement of cash flows  
For the half year ended 31 December 2013

<i>In AUD</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>31/12/2013</b>	<b>31/12/2012</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers		63,846,786	54,064,301
Cash paid to suppliers and employees		(47,041,410)	(35,655,645)
Cash generated from operations		<u>16,805,376</u>	<u>18,408,656</u>
Interest paid		(37,025,302)	(5,700,673)
Income tax paid		(1,727,536)	(6,198,788)
<b>Net cash flows (used in)/from operating activities</b>		<u>(21,947,462)</u>	<u>6,509,195</u>
<b>Cash flows from investing activities</b>			
Interest received		756,514	775,610
Acquisition of paid property, plant and equipment		(2,179,911)	(936,920)
Proceeds from sale of property, plant and equipment		5,727	24,714,302
Acquisition of controlled entities and businesses		(4,009,863)	(3,133,343)
<b>Net cash flows (used in)/from investing activities</b>		<u>(5,427,533)</u>	<u>21,419,650</u>
<b>Cash flows from financing activities</b>			
Acquisition of minority interests		(1,310,000)	(313,079)
Proceeds from borrowings		170,000,000	-
Repayment of borrowings		(146,377,445)	(21,578,867)
Dividends paid to minority interests		(342,031)	(1,401,432)
<b>Net cash flows from/(used in) financing activities</b>		<u>21,970,524</u>	<u>(23,293,378)</u>
Net (decrease)/increase in cash and cash equivalents		(5,404,471)	4,635,467
Cash and cash equivalents at beginning of period		<u>40,631,617</u>	<u>29,600,343</u>
<b>Cash and cash equivalents at end of period</b>		<u>35,227,146</u>	<u>34,235,810</u>

The notes on pages 7 to 16 are an integral part of these consolidated financial statements.

# Healthbridge Enterprises Pty Ltd

## Notes to the financial statements

For the half year ended 31 December 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. These consolidated interim financial statements as at and for the half year ended 31 December 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 consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 Interim Financial Reporting and with IAS 34 Interim Financial Reporting. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2013. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2013.

The consolidated interim financial statements were approved by the Board of Directors on 24 March 2014.

#### (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.



# Healthbridge Enterprises Pty Ltd

## Notes to the financial statements

For the half year ended 31 December 2013

### (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.

### (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

In preparing these interim financial statements, Management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the half year ended 31 December 2013.

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 the same as those as at and for the year ending 30 June 2013.

# Healthbridge Enterprises Pty Ltd

## Notes to the financial statements (continued)

**For the half year ended 31 December 2013**

### **3 Significant accounting policies**

With exception to the below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2013.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of application of 1 July 2013.

- AASB 10: *Consolidated Financial Statements*

- AASB 11: *Joint arrangements*

- AASB 13: *Fair Value Measurement*

- AASB 119: *Employee Benefits*

The nature and the effect of the changes are further explained below.

#### *Subsidiaries*

In accordance with AASB10, the Group reassessed the control conclusion for its investees at 1 July 2013. The control conclusion remained unchanged.

#### *Joint arrangements*

As a result of the Group's restructure, there is no longer any joint arrangements within the Group as at 31 December 2013.

#### *Fair value measurement*

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group has included additional disclosures (see note 8).

#### *Employee benefits*

The adoption of the new AASB119 Employee Benefits standard does not have a material impact on the consolidated interim financial statements.

## Healthbridge Enterprises Pty Ltd

### Notes to the financial statements (continued)

For the half year ended 31 December 2013

#### 4 Income tax expense

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.

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.

On 24 October 2013 Monash IVF Holdings Pty Ltd (and its wholly-owned subsidiaries), and Healthbridge Repromed Pty Ltd (and its wholly-owned subsidiaries) joined the Healthbridge Enterprises Pty Ltd tax consolidated Group. The formation of a new tax consolidated group required the "reset" of the tax bases of certain underlying assets within the new tax consolidated group. These reset tax bases will generally become relevant for future capital gains tax events arising in relation to those assets (for example, the disposal of goodwill). The result of resetting some of these tax bases combined with the impact of the majority of the group now being part of one combined tax group, has given rise to a tax benefit amounting to \$7.8m. This is a key contributing factor to the current level of income tax benefit in the 6 month period to 31 December 2013.

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

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.

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. As a result of the changes in the tax consolidation group in the period, deferred tax assets arising from unused tax losses are only recognised to the extent that the losses can be transferred into the new tax consolidated group and satisfy modified continuity of ownership and same business test recoupment rules. Even where the losses satisfy these rules, the tax losses can only be recouped in accordance with the tax concept of the Available Fraction.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

**4 Income tax expense (continued)***(ii) Nature of tax funding arrangements and tax sharing arrangements*

The head entity, in conjunction with other members of the tax-consolidated Group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated Group in respect of tax amounts.

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.

The Company has elected to apply TOFA to financial arrangements entered into from 1 July 2009 and to financial arrangements in place (pre-existing financial arrangements) at that date. The Company has also elected to apply tax-timing methods to both new and pre-existing financial arrangements.

**5 Acquisition of subsidiary and non-controlling interests****Acquisition of subsidiary**

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.

**Consideration transferred***in thousands of dollars*

Cash	5,219,963
<b>Total</b>	<b>5,219,963</b>

**Identifiable assets required and liabilities assumed***in thousands of dollars*

Cash	50,083
Inventory	21,413
Receivables	2,519
Other current assets	35,268
Property, plant and equipment	83,131
Tax assets and liabilities	(66,757)
Trade and other payables	(16,689)
<b>Net assets acquired</b>	<b>108,968</b>

The above identifiable assets required and liabilities assumed have been determined at fair value. The Group is currently in the process of finalising the fair values of the assets and liabilities acquired. As a result, the fair values provided above are provisional and will be subject to finalisation during the period up to twelve months from the acquisition date.

**Goodwill**

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

*in thousands of dollars*

Total consideration transferred	5,219,963
Non-controlling interests based on their proportionate interest in the recognised amounts of the assets and liabilities of KL Fertility & Gynaecology Centre SDN. BHD.	38,139
Fair value of identifiable net assets	(108,968)
	<b>5,149,134</b>

**Acquisition-related costs**

The Group incurred acquisition related costs of \$174k 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.

Healthbridge Enterprises Pty Ltd

Notes to the financial statements (continued)

For the half year ended 31 December 2013

**5 Acquisition of subsidiary (continued)**

On 16 July 2013 the Group obtained control of Yoncat Pty Ltd trading as Reproductive Medicine Albury by acquiring 100% percent of the shares and voting interests in the company. Yoncat Pty Ltd's principal activities are the provision of Assisted Reproductive Technology ("ART") services and specialist consultancy services to patients at a clinic and day surgery facility in Albury, New South Wales.

Taking control of Yoncat Pty Ltd will enable the Group to further expand the offering of its ART services into regional Victoria and south west NSW and enables the group to service the Victoria NSW border region in conjunction with the service provided from Mildura where it operates clinics.

In the six months to 31 December 2013, Yoncat Pty Ltd contributed revenue of \$1,671k and profit of \$335k 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.

<b>Consideration transferred</b>	<b>\$</b>
Cash	4,009,863
Deferred cash payment (a)	1,600,000
Contingent consideration on earn out agreement: June 2014 <sup>(b)</sup>	400,000
Contingent consideration on earn out agreement: June 2015 <sup>(c)</sup>	1,000,000
<b>Total</b>	<u>7,009,863</u>

(a): Due to be paid in May 2014, this cash payment has no conditions attached.

(b): If the acquiree meets the performance hurdle of 290 IVF cycles for the year ended 30 June 2014, the vendor is entitled to a payment of A\$400,000, which reduces by A\$10,000 for each cycle less than 290. If less than 250 cycles are performed, then no payment is due.

(c): If the acquiree meets the performance hurdle of 290 IVF cycles for the year ended 30 June 2015, the vendor is entitled to a payment of A\$1,000,000, which reduces by A\$10,000 for each cycle less than 290. If less than 250 cycles are performed, then a payment of A\$600,000 is due.

<b>Identifiable assets acquired and liabilities assumed</b>	<b>\$</b>
Property, plant and equipment	102,918
Prepayments	33,854
Cash and cash equivalents	102
Bank overdraft	(21,260)
Employee Provisions	(165,457)
Trade and other payables	(19,433)
Total identifiable net assets	<u>(69,326)</u>

The above identifiable assets required and liabilities assumed have been determined at fair value. The Group is currently in the process of finalising the fair values of the assets and liabilities acquired. As a result, the fair values provided above are provisional and will be subject to finalisation during the period up to twelve months from the acquisition date.

**Goodwill**

Goodwill arising from the acquisition has been recognised as follows:

Total consideration transferred	\$ 7,009,863
Fair value of identifiable assets	(69,326)
Goodwill	<u>7,079,189</u>

**Acquisition-related costs**

The Group incurred acquisition related costs of \$69k 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.

## Healthbridge Enterprises Pty Ltd

### Notes to the financial statements (continued)

For the half year ended 31 December 2013

#### 5 Acquisition of subsidiary and non-controlling interests (continued)

##### Acquisition of non-controlling interests

###### Monash IVF Holdings Pty Ltd

In October 2013, the Group bought out the remaining 30.6% non-controlling interests in Monash IVF Holdings Pty Ltd for \$31.15m by issuing Ordinary Shares equivalent to this value in HEPL. This acquisition increased the Group's ownership in Monash IVF Holdings Pty Ltd to 100% (30 June 2013: 69.4%).

The carrying amount of Monash IVF Holdings Pty Ltd's net assets in the Group's financial statements on the date of the acquisition was \$39.6m.

###### Wesley Monash IVF Pty Ltd

In December 2013, Monash IVF Pty Ltd bought out the remaining 40% in Wesley Monash IVF Pty Ltd for \$1.31m cash. Coupled with the above acquisition of the remaining NCIs in Monash IVF Holdings Pty Ltd, this acquisition increased the Group's ownership in Wesley Monash IVF Pty Ltd to 100% (30 June 2013: 41.6%).

The carrying amount of Wesley Monash IVF Pty Ltd's net assets in the Group's financial statements on the date of the acquisition was \$0.1m.

###### Monash Ultrasound Pty Ltd

In October 2013, Monash IVF Pty Ltd also bought out the remaining 35% non-controlling interests in Monash Ultrasound Pty Ltd for \$3.76m by the Group issuing \$2.24m of Ordinary Shares and \$1.52m of Redeemable Preference Shares in HEPL. Coupled with the above acquisition of the remaining NCIs in Monash IVF Holdings Pty Ltd, this acquisition increased the Group's ownership in Monash Ultrasound Pty Ltd to 100% (30 June 2013: 51.7%).

The carrying amount of Monash Ultrasound Pty Ltd's net assets in the Group's financial statements on the date of the acquisition was \$1.8m.

###### Healthbridge Repromed Pty Ltd

In October 2013, the Group bought out the remaining 1.7% non-controlling interests in Healthbridge Repromed Pty Ltd for \$0.01m by issuing Ordinary Shares equivalent to this value in HEPL. This acquisition increased the Group's ownership in Healthbridge Repromed Pty Ltd to 100% (30 June 2013: 98.3%).

The carrying amount of Healthbridge Repromed Pty Ltd's net assets in the Group's financial statements on the date of the acquisition was (\$3.9m).

Healthbridge Enterprises Pty Ltd

Notes to the financial statements (continued)

For the half year ended 31 December 2013

**6 Capital and reserves**

**Issues of ordinary shares**

As discussed in note 5 (Acquisitions of subsidiaries and non-controlling interests), in October 2013 the Group issued 110,330,597 ordinary shares at a price of \$1.005 per share and 75,000 ordinary shares at a price of \$1.000 per share. These shares were effectively transferred to acquire NCI, MRPS and Promissory Note holdings within the Group's subsidiaries as a part of the Group's restructure.

**Dividends**

No dividends were paid or proposed in the periods.

**Share capital**

On issue at 31 December 2013 – fully paid	Number of ordinary shares	
	31 December 2013	30 June 2013
A class ordinary shares	104,398,341	30,073,065
B class ordinary shares	55,520,907	19,440,586
Z class shares	10	10
Z class special shares	10	10
	<u>159,919,268</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.

**7 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. During the period commercial loans expiring prior to the end of the half year period were refinanced under a new syndicated loan facility. This resulted in the group no longer being in a net current assets deficiency position.

*In AUD*

	Consolidated	
	31 December 2013	30 June 2013
<b>Non-current liabilities</b>		
Commercial loans	158,750,000	-
Promissory notes	16,213,821	138,700,641
Redeemable preference shares ('RPS')	20,178,585	42,479,127
Capitalised finance facility fees	-	-
Derivatives	-	36,451
	<u>195,142,406</u>	<u>181,216,219</u>
<b>Current liabilities</b>		
Derivatives	77,521	153,108
Commercial loans	13,166,033	103,030,378
Capitalised finance facility fees	(2,579,330)	(414,626)
	<u>10,664,224</u>	<u>102,768,860</u>

Promissory notes and RPS amounting to \$72,207,201 and \$5,345,255 respectively were converted into shares during the period (see note 6).

**Terms and debt repayment schedule**

Terms and conditions of outstanding loans were as follows:

<i>In AUD</i>	Currency	Nominal interest rate	Year of maturity	Consolidated	
				31 December 2013	
				Face value	Carrying amount
Promissory notes	AUD	16%	2017	16,213,821	16,213,821
Redeemable preference shares	AUD	16%	2017	20,178,585	20,178,585
Commercial loans	AUD	Base rate plus margin (3.75%)	2014	171,916,033	171,916,033
Total interest-bearing liabilities				<u>208,308,439</u>	<u>208,308,439</u>

Commercial loans are now secured over all assets of Healthbridge IVF Holdings PTY Ltd and its controlled entities. Loans contain certain covenants requiring quarterly compliance.

Unused debt facility amounted to \$3.0m as at 31 December 2013 (30 June 2013: nil).

Healthbridge Enterprises Pty Ltd

Notes to the financial statements (continued)

For the half year ended 31 December 2013

**7 Loans and borrowings (continued)**

**Terms and debt repayment schedule**

Terms and conditions of outstanding loans were as follows:

<i>In AUD</i>	Currency	Nominal interest rate	Year of maturity	Consolidated 30 June 2013	
				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. Loans contain certain covenants requiring quarterly compliance.

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

**8 Financial instruments**

**Credit risk**

**Exposure to credit risk**

The carrying amount of the Group's financial assets represents the maximum credit exposure. The carrying amount of the Group's assets are deemed to not exceed their recoverable amount.

**Financial instruments carried at fair value**

*Fair value hierarchy*

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

**31 December 2013**

	Level 1	Level 2	Level 3
- Interest rate swaps used for hedging	-	77,521	-
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>77,521</b>	<b>-</b>

**30 June 2013**

- Interest rate swaps used for hedging	-	189,559	-
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>189,559</b>	<b>-</b>

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the half year ended 31 December 2013.



# Healthbridge Enterprises Pty Ltd

## Notes to the financial statements (continued)

For the half year ended 31 December 2013

### 9 Contingent liabilities

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

### 10 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	
		31/12/2013	30/06/2013
Healthbridge Enterprises Pty Ltd	Australia		
<b>Significant subsidiaries</b>			
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	100.0%	98.3%
Repromed Finance Pty Ltd	Australia	100.0%	98.3%
Repromed Holdings Pty Ltd	Australia	100.0%	98.3%
Repromed NZ Holding Pty Ltd	Australia	100.0%	98.3%
Repromed Australia Pty Ltd	Australia	100.0%	98.3%
Adelaide Fertility Centre Pty Ltd	Australia	100.0%	69.4%
Monash IVF Holdings Pty Ltd	Australia	100.0%	69.4%
Monash IVF Finance Pty Ltd	Australia	100.0%	69.4%
Monash IVF Pty Ltd	Australia	100.0%	41.6%
Wesley Monash IVF Pty Ltd	Australia	100.0%	41.6%
Wesley Monash JV	Australia	100.0%	69.4%
Monash Reproductive Pathology and Genetics Pty Ltd	Australia	100.0%	51.7%
Monash Ultrasound Pty Ltd	Australia	100.0%	100.0%
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%	92.0%
Healthbridge Hawthorn Finance Pty Ltd	Australia	92.0%	92.0%
Healthbridge Hawthorn Pty Ltd	Australia	92.0%	92.0%
KL Fertility & Gynaecology Centre	Malaysia	65.0%	65.0%
Yoncat Pty Ltd	Australia	100.0%	-
A.C.N. 166 702 487 PTY LIMITED	Australia	100.0%	-
MyIVF Pty Limited	Australia	100.0%	-
A.C.N. 166 701 819 PTY LIMITED	Australia	100.0%	-
HBIVF JOHOR BAHRU LAB PTY LTD	Australia	100.0%	-

### 11 Subsequent events

Since the end of the 6 months to 31 December 2013 the company has expanded the provision of its IVF service offering, commencing a more affordable IVF service offering in the Northern Suburbs of Brisbane

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.

### 12 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

In AUD	Consolidated	
	31 December 2013	30 June 2013
<b>Other assets - non-current</b>		
Repromed Management Trust	25,000	25,000
Management of Monash IVF Holdings Pty Ltd and their related parties	1,732,373	1,983,728
Management of Healthbridge CMS Pty Ltd and their related parties	600,284	600,284
	<u>2,357,657</u>	<u>3,104,012</u>
<b>Redeemable preference shares, including interest payable and paid</b>		
Shareholders of the Group	20,178,585	22,316,835
<b>Promissory notes, including interest payable and paid</b>		
Shareholders of the Group	16,213,821	138,700,641

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.

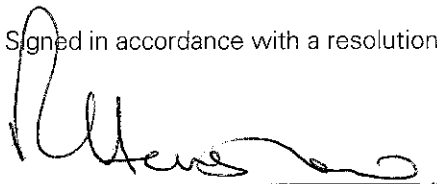
# Healthbridge Enterprises Pty Ltd

## Director's declaration

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

- a) the interim consolidated financial statements and notes that are set out on pages 3 to 16:
  - (i) present fairly, in all material aspects, the financial position of the Group as at 31 December 2013 and its performance as presented by the results of its operations and its cashflows, for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting.
  - (ii) comply with Australian Accounting Standard AASB 134 Interim Financial Reporting.
- 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.



Dr Richard Henshaw  
*Director*

26/03/2014



## **Independent auditor's review report to the board or directors of Healthbridge Enterprises Pty Ltd**

### **Report on the financial report**

We have reviewed the accompanying interim financial report of Healthbridge Enterprises Pty Ltd and the entities it controlled at the half-year's end or from time to time during the half-year period (the Group). The financial report comprises the consolidated statement of financial position as at 31 December 2013, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and a consolidated statement of cash flows for the half-year ended on that date, notes 1 to 12 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 half-year's end or from time to time during the half-year period.

#### *Directors' responsibility for the interim report*

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not presented fairly, in all material respects, the Group's financial position as at 31 December 2013 and of its performance and cash flows for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*. As auditor of Healthbridge Enterprises Pty Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*Independence*

In conducting our review, we have complied with the independence requirements of the applicable standards of the Accounting Professional and Ethical Standards Board.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Healthbridge Enterprises Pty Ltd does not present fairly, in all material respects, the Group's financial position as at 31 December 2013 and of its performance and cash flows for the half year ended on that date, in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

*Use of Report*

Our report is released to Healthbridge Enterprises Pty Ltd on the basis that it shall not be distributed, copied, referred to or disclosed, in whole (save for Healthbridge Enterprises Pty Ltd's own internal purposes) or in part, without our prior written consent.

*KPMG*

KPMG

*M. Bisetto*

Maurice Bisetto  
*Partner*

Melbourne

26 March 2014