Reproductive Health Science

ACN 010 126 708

REPRODUCTIVE HEALTH SCIENCE LIMITED

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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Corporate information

ABN 84 010 126 708

Directors
Dr David Brookes (Non-Executive Chairman)
Dr Michelle Fraser (Managing Director)
Mr Johnathon Matthews
Dr Colin Matthews (Alternate for Mr Johnathon Matthews)
Ms Sue MacLeman
Mr Fabian Dwyer

Company Secretary
Mr Ray Ridge

Registered office
BioSA Incubator
40 - 46 West Thebarton Road
THEBARTON SA 5031

Principal place of business
BioSA Incubator
40 - 46 West Thebarton Road
THEBARTON SA 5031

Share Register
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Phone: 1300 554 474

Reproductive Health Science Limited's shares are listed on the Australian Securities Exchange (ASX) under the stock code 'RHS'.

Auditors
Ernst & Young
Australia

Directors' Report

Your directors submit their report for the year ended 31 December 2015.

Directors

The names of the Company's directors in office during the year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities:

Non-Executive Chairman

Dr David Brookes *(MBBS, FACRRM, FAICD)*

Dr Brookes works as a medical practitioner and biotechnology consultant. His involvement in the biotechnology sector began in the late 1990's as an analyst. He is currently an independent director of ASX listed AtCor Medical Holdings Ltd and is a Fellow of the Australian Institute of Company Directors.

Dr Brookes was formerly an independent director of Living Cell Technologies Ltd (ASX listed) from August 2007 until November 2010 and Chairperson during 2009 and 2010. He was Chairman-Director of Innovance Ltd (NSX listed) from 2006 until 2010.

Dr Brookes graduated from Adelaide University in 1983 and is a Fellow of the Australian College of Rural and Remote Medicine; he also has a Diploma from the Royal Australian College of Obstetricians and Gynaecologists.

Managing Director

Dr Michelle Fraser *(PhD, Grad Dip Sci Tech Comm)*

Dr Fraser joined Reproductive Health Science as the inaugural chief executive officer in September 2007 and became a member of the Reproductive Health Science Pty Ltd Board in May 2012. In this role, she was responsible for key achievements including securing venture capital investment and leveraging State and Commonwealth Government Grants, in-licensing and out-licensing activities, intellectual property management and building the Reproductive Health Science commercial and clinical network.

Dr Fraser was previously a Business Development Manager at Bio Innovation SA where she provided commercialisation advice and assistance to bioscience companies, universities, research institutes and teaching and research hospitals. Dr Fraser was also part of the Bio Innovation SA team responsible for the establishment of venture capital fund Terra Rossa Capital. Dr Fraser has previously been the chief executive officer for two biotechnology start-up companies; Viswa Biotechnology Pty Ltd and BenEphex Biotechnologies Pty Ltd. Dr Fraser is currently a director of Westbourne Park Auto Repairs Pty Ltd and is a member of the Australian Institute of Company Directors.

Dr Fraser has a PhD in molecular biology and a Graduate Diploma of Science and Technology Commercialisation, both from the University of Adelaide. Dr Fraser has graduated from the Australian Institute of Company Directors.

Non-Executive Directors:

Mr Johnathon Matthews *(BEc, B Comm, LLB)*

Mr Matthews has eight years' experience in the In Vitro Fertilisation (IVF) industry as a former executive director of The Pipette Company Pty Ltd (TPC), an Adelaide based specialist manufacturer and supplier of high quality micropipettes used in IVF procedures. He actively contributed to developing and managing TPC's growth with its products being supplied to hospitals and IVF clinics in over 40 countries worldwide.

Prior to joining TPC, Mr Matthews worked at the Australian Treasury on microeconomic policy reform, the ASX where he was responsible for the ASX's relationship with over 100 listed companies, and at the Commonwealth Bank as a corporate analyst within its institutional banking division.

Mr Matthews holds a Bachelor of Economics, a Bachelor of Commerce and a Bachelor of Laws from The University of Adelaide and has completed postgraduate diplomas in Applied Finance & Investment and Legal Practice. He is also a graduate member of the Australian Institute of Company Directors (AICD).

Emeritus Professor Colin Matthews AO – *(alternate for Johnathon Matthews)*

Dr Matthews has been a director and shareholder of Reproductive Health Science since its establishment. He was a founding director of The Pipette Company Pty Ltd and currently a director of Flinders IVF.

Dr Matthews was previously a founding director of Repromed Pty Ltd, a University owned Adelaide-based IVF clinic. Dr Matthews resigned his position as a chair of the Research Committee and Board Member of the Channel 7 Research Foundation at the end of 2015.

Dr Matthews is a Distinguished Alumni of The University of Adelaide, a Life Member of The Fertility Society of Australia and of The European Society of Human Reproduction and Embryology and was appointed an Officer of the Order of Australia in 2013 for services to reproductive medicine.

Ms Sue MacLeman *(BPharm, MMktg, MLaw, FACPP, FAICD)*

Ms MacLeman has enjoyed a distinguished career in biotechnology, having worked initially in hospital pharmacy roles before moving to the pharmaceuticals industry in development and commercialisation roles with Merck, Amgen and Bristol-Myers Squibb. She has also been CEO and a Board member of a number of publicly-listed companies in both the United States and Australia. Most recently Ms MacLeman was global Head of Commercial for Mesoblast Ltd. Ms MacLeman is currently a director of Oventus Medical Ltd and was recently appointed as the Chief Executive Officer of the Medical Technologies and Pharmaceuticals Industry Innovation Growth Centre (MTPConnect) and will commence in her role in April 2016.

Mr Fabian Dwyer *(BPharm, MBA, MRPharmS, FAICD),* appointed 1 September 2015

Mr Dwyer has a background as an accomplished health care leader with deep management experience and has acted in a consulting capacity to a number of biotechnology companies.

After building a strong pharmacy background, including working for Baxter in Australia and the UK, Fabian completed an MBA (Bradford University) before returning to Australia to work in senior sales and marketing roles with several pharmaceutical companies. He then went on to lead Quintiles and Innovex, the largest providers of clinical research and commercialisation services to the Australian healthcare sector, for 7 years.

More recently Fabian was the Australian and New Zealand Managing Director of IMS Health P/L and then of Bausch + Lomb P/L. During his time in the industry, Fabian has served on a number of industry/government committees and taskforces and served on the Board of Medicines Australia in 2007.

Executive Director/Company Secretary
Mr Donald Stephens *(BA (Acc), FCA), resigned as Director 1 September 2015, resigned as Company Secretary 28 May 2015*
Mr Stephens is a Chartered Accountant and corporate adviser with over 25 years' experience in the accounting industry, including 14 years as a partner of HLB Mann Judd (SA), a firm of Chartered Accountants. He is a director of Crest Minerals Ltd, Mithril Resources Ltd, Lawson Gold Ltd and Petratherm Ltd, and was formerly a director of Papyrus Australia Ltd (resigned 24 August 2015) and TW Holdings Ltd (resigned 14 December 2012). Additionally he is Company Secretary to Minotaur Exploration Ltd, Mithril Resources Ltd, Highfield Resources Ltd and Petratherm Ltd. He holds other public company secretarial positions and directorships with private companies and provides corporate advisory services to a wide range of organisations.

Chief Financial Officer/Company Secretary
Mr Ray Ridge *(BA (Acc), CA, GIA (cert)), appointed 11 May 2015*

Mr Ridge has held senior management positions in finance, compliance and commerce across a range of industries. He is currently CFO and Company Secretary for dual ASX- and AIM-listed Thor Mining PLC as well as CFO for ASX-listed Southern Gold Ltd. Mr Ridge has broad corporate experience including previous appointments as General Manager Commercial & Operations with the Utilities, Government and Power Business Group of Parsons Brinckerhoff, CFO of the Merchandise Division of Elders Ltd and a Senior Manager at Arthur Andersen.

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

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

	Number of ordinary shares	Number of unlisted options
D Brookes	1,044,298	1,250,000
M Fraser	351,719	2,700,000
J Matthews[1]	8,964,556	600,000
C Matthews (alternate)[1]	8,964,556	-
S MacLeman	10,000	600,000
F Dwyer[2]	-	-

1. 8,964,556 shares are held jointly by J Matthews and C Matthews.
2. F Dwyer is to be granted 300,000 options, subject to shareholder approval at the next Annual General Meeting.

Principal activities
Reproductive Health Science Ltd's principal activities are the development and marketing of its biotechnology technologies, including its lead product EmbryoCellect™ for PGS (Pre-implantation Genetic Screening).

Financial Results
During the year ended 31 December 2015, the Group incurred a loss of $1,635,179 (31 December 2014: $6,091,210). The 2014 loss was primarily driven by transaction costs incurred by the Group of $3,849,237, which amounted to the total accounting cost of acquiring Reproductive Health Science.

Dividends
No dividend was paid or declared by the Company in the period and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial period ended 31 December 2015.

Review and results of operations
The Group has continued to progress the development and marketing of its products. A summary of key developments, during the period 1 January 2015 through to the date of this Directors Report, is as follows:
EmbryoCellect™ Sales

- Executing a number of additional distributor agreements for our lead product, EmbryoCellect™, adding the territories of China, Hong Kong, Macau, India, Sri Lanka, Bangladesh, Russia, Iran, United Arab Emirates, Belarus, Kazakhstan, Saudi Arabia, Kuwait, Qatar, Bahrain, and Oman.
- Assisting Morula IVF, in Indonesia, to commence offering PGS to their patients through establishing their own laboratory and expertise.
- Continued to assist clinics to undertake their "in house" preliminary testing of EmbryoCellect™. Many of the evaluations are nearing completion. There have also

been some improvements in the clarity of the protocol provided with the kit and RHS has developed instructional videos to provide additional detail to first time users of EmbryoCellect^{TM}.

- Generating the Group's first EmbryoCellect^{TM} kit sales of $73,363.

Establishing Services Income

- Expanding the Group's business model through the introduction of a PGS service on a fee-for-service basis. We announced on the 11th of May 2015, that terms of a service agreement had been settled with an Australian IVF provider, Flindersfertility.
- We are have signed a services agreement with another Australian fertility clinic, and are currently working with them to bring their PGS services to the market in the next quarter (ASX announcement 12 November 2015).

Development of a new Product

- Completed a very detailed, high resolution Next Generation Sequencing analysis of RHS's lysis and whole genome amplification product. This data is currently being analysed and the results will form the basis for comparative assessment of the RHS product to other single cell whole genome amplification products on the market. There is significant corporate interest in this product for a range of downstream single cell applications. RHS expects to launch this product in April 2016.

Cost Control

- We continue to maintain tight control over our cash operating costs during this commercialisation phase of the Company. Cash payments to suppliers and employees for the year ended 31 December 2015 was $1.9m. This compares to $1.7m in the year to 31 December 2014, recognising that the Group commenced operations as a consolidated listed entity on 2 April 2014.

Other income

- Receipt of $275,000 for the 2014 year Research & Development Tax Offset. We expect to lodge our claim for the 2015 year before the end of March 2016.
- Lodged a claim under the Export Marketing Development Grant. RHS expects to receive the maximum $40,000 first instalment by the end of February 2016.

Capital Raising

- The Group raised $1.3m of gross proceeds through a placement to sophisticated investors to provide working capital to support its accelerated commercial activities.

Market Development

- Undertaking training courses in August and November, in the use of EmbryoCellect^{TM} in PGS (Pre-implantation Genetic Screening) for IVF clinics from various international jurisdictions. A third training course is being scheduled for March 2016.
- Presentations and attendance at various industry conferences and other functions, including the European Society for Human Reproduction and Embryology (ESHRE) conference held in Lisbon June 2015, the Fertility Society of Australia meeting in Canberra in September 2015, the American Society of Reproductive Medicine meeting held in Baltimore in October 2015, a course on embryo selection using morphology in

the United Kingdom in December 2015, and a presentation to key clinics in Japan in January 2016.

During the period ended 31 December 2015, the Group incurred a loss of $1,635,179 (31 December 2014: $6,091,210 loss). The prior year loss was primarily driven by transaction costs incurred by the Group of $3,849,237, which amounted to the total accounting cost of acquiring Reproductive Health Science.

Changes in the state of affairs
During the financial year there were no significant change in the state of affairs of the Group, other than that referred to in the financial statements or notes thereto.

Events subsequent to balance date
There has not arisen any matters or circumstances, since the end of the financial year, which significantly affected or could affect the operations of the Group, the results of those operations, or the state of the Group in future years.

Likely developments and expected results
The Group continues to progress product development and commercialisation of its patent portfolio. As the Group is still at the point of commercialisation and development, no comment on the expected results from these efforts are included in this report.

Environmental regulation and performance
The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Group however believes that it has adequate systems in place for the management of any future environmental regulations.

Options awarded, vested and lapsed during the year

At the date of this report, the following options to acquire ordinary shares in the Company were on issue:

Issue Date	Expiry Date	Exercise Price	Balance at 1 Jan 2015	Net granted, exercised, expired during year	Balance at 31 Dec 2015	Vested during the year	Vested and exercisable
21/09/2012	20/09/2016	$2. 01	179,105	-	179,105	-	179,105
02/04/2014	31/12/2016	$0.25	900,000	-	900,000	-	900,000
02/04/2014	31/12/2016	$0.30	900,000	-	900,000	-	900,000
02/04/2014	31/12/2016	$0.35	900,000	-	900,000	-	900,000
02/04/2014	31/12/2016	$0.32	3,000,000	-	3,000,000	-	3,000,000
17/04/2014	16/04/2019	$0.35	150,000	-	150,000	-	150,000
12/06/2015	31/12/2016	$0.32	-	1,100,000	1,100,000	1,100,000	1,100,000
12/06/2015	12/06/2020	$0.25	-	200,000	200,000	200,000	200,000
01/09/2015[1]	31/12/2016	$0.32	-	300,000	300,000	-	-
			6,029,105	1,600,000	7,629,105	1,300,000	7,329,105

[1]The Company has an obligation to issue 300,000 unlisted options to a Director, as part of their terms of engagement. These options are subject to shareholder approval at the next Annual General Meeting. Following shareholder approval, the options can be exercised at any time prior to 31 December 2016 and will have an exercise price of $0.32.

On 12 June 2015, the Company issued a total of 1,100,000 unlisted options to Directors. These options were approved by shareholders at the Company's Annual General Meeting held 27 May 2015. The options can be exercised at any time prior to 31 December 2016 and have an exercise price of $0.32.

On 12 June 2015, the Company issued a total of 200,000 unlisted options to an employee, under the Employee Share Option plan. The options can be exercised at any time prior to 12 June 2020 and have an exercise price of $0.25.

None of the options contained vesting conditions, other than shareholder approval and hence have been expensed in the Company's statement of comprehensive income for the year ended 31 December 2015.

No shares were issued during the year as a result of an exercise of options.

Indemnification and insurance of directors and officers

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the directors of Reproductive Health Science Limited against legal costs incurred in defending proceedings for conduct other than:

a) A wilful breach of duty.
b) A contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid was $13,452.

Indemnification of auditors

To the extent permitted by the law, the Company has agreed to indemnify its auditors, Ernst and Young, as part of the terms of its audit engagement agreement against claims by a third party arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst and Young during or since the financial year.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings		**Audit Committee**		**Rem. & Nom. Committee**	
	Attended	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**
David Brookes	9	9	3	3	2	2
Michelle Fraser	9	9	-	-	-	-
Johnathon Matthews	9	9	3	3	2	2
Colin Matthews (alt)	8	9	-	-	-	-
Sue MacLeman	9	9	-	-	2	2
Fabian Dwyer	3	3	1	1	-	-
Donald Stephens	6	6	2	2	-	-

Auditor independence declaration

We have obtained the following independence declaration from our auditors, Ernst & Young.

Building a better working world

Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

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Auditor's Independence Declaration to the Directors of Reproductive Health Science Limited

As lead auditor for the audit of Reproductive Health Science Limited for the financial year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Reproductive Health Science Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Mark Phelps
Partner
Adelaide
26 February 2016

Signed in accordance with a resolution of the directors.

Dr David Brookes
Chairman

26 February 2016

Remuneration report (audited)

This Remuneration Report for the year ended 31 December 2015 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

Introduction

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent.

The names and positions held by Directors and Key Management Personnel of the Group during or since the end of the financial year are:

i. Directors

David Brookes	(Non-Executive Chairman)
Michelle Fraser	(Managing Director)
Johnathon Matthews	(Non-Executive Director)
Sue MacLeman	(Non-Executive Director)
Fabian Dwyer	(Non-Executive Director, appointed 1 September 2015)
Colin Matthews	(Alternate Director for Johnathon Matthews)
Donald Stephens	(Executive Director/Company Secretary, resigned 1 September 2015)

ii. Key management personnel

Ray Ridge	(CFO/Company Secretary, appointed 11 May 2015)

Remuneration philosophy

The Board is responsible for determining remuneration policies applicable to directors and senior executives of the entity. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration, consideration is given by the Board to the Group's financial performance.

Use of Remuneration Consultants

During the financial year, there were no remuneration recommendations made in relation to key management personnel for the Company by any remuneration consultants.

Voting and comments made at the Company's 2015 Annual General Meeting

Reproductive Health Science Ltd's motion in relation to the approval of 2013 remuneration report passed with a vote total of more than 75%. The Company did not receive any specific feedback at the AGM on its remuneration report.

Director remuneration arrangements

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The Company's constitution and the ASX listing rules specify that the Non-Executive Director (NED) fee pool shall be determined from time to time by a general meeting. The last determination disclosed in the Company's prospectus dated 7 March 2014 approved an aggregate fee pool of $500,000 per year.

The Board will not seek any increase for the NED pool at the 2016 AGM.

Contracts

Dr Michelle Fraser

The Company and Dr Fraser entered into an Executive Service Agreement (Agreement) on 19 December 2013. Pursuant to the Agreement, the Company has employed Dr Fraser as Managing Director for a period of two years commencing on 2 April 2014. Dr Fraser's annual salary (inclusive of statutory superannuation payment) was set at $220,000 and an annual performance review of her contract is to be undertaken around 30 June each year. At the 2015 annual performance review, Dr Fraser's annual salary was revised to $236,600 effective 1 July 2015 and a bonus of $10,000 was paid. Effective 16 December 2015, Dr Fraser's salary was revised to $240,000 plus compulsory employer superannuation of 9.5% per annum.

Either party may terminate the Agreement on three months' notice to the other, and the Company may, subject to obtaining shareholder approval if required, pay to Dr Fraser three months remuneration in lieu of notice.

Structure

The remuneration of NEDs consists of directors' fees and consulting fees. NEDs do not receive retirement benefits. The remuneration of NEDs (and the Managing Director) for the year ended 31 December 2015 and 31 December 2014 is detailed in the table below.

Table 1: Remuneration of Directors

Directors	Financial Year	Salary and fees $	Short term benefits $	Share based payments $	Post-employment Superannuation $	Total $
D Brookes	2015	54,795	-	5,150	5,205	65,150
	2014	52,682	-	95,175	2,603	150,460
M Fraser	2015	259,300	-	-	19,066	278,366
	2014	189,722	-	353,970	16,764	560,456
J Matthews	2015	31,964	-	-	3,036	35,000
	2014	18,285	-	76,140	1,725	96,150
S MacLeman	2015	31,964	-	6,180	3,036	41,180
	2014	8,895	-	-	845	9,740
F Dwyer[1]	2015	10,000	-	4,500	-	14,500
	2014	-	-	-	-	-
C Matthews	2015	5,000	-	-	-	5,000
	2014	-	-	-	-	-
R Ridge[2]	2015	-	-	-	-	-
	2014	-	-	-	-	-
D Stephens	2015	20,000	-	-	-	20,000
	2014	29,425	-	76,140	-	105,565
G Ascough	2015	-	-	-	-	-
	2014	6,828	-	38,070	-	44,898
S O'Loughlin	2015	-	-	-	-	-
	2014	19,790	-	95,175	1,837	116,802
FY 15 Directors		413,023	-	15,830	30,343	459,196
FY 14 Directors		325,627	-	734,670	23,774	1,084,071

[1] The Company is to issue 300,000 unlisted options to Mr Dwyer, pursuant to his terms of engagement. These options are subject to shareholder approval at the next Annual General Meeting.

[2] Mr Ridge was appointed as CFO and Company Secretary on 11 May 2015. Mr Ridge is not employed by the Company. His services are engaged through a service agreement with an entity associated with Mr Ridge. The Company paid $73,383 for these services during the 2015 year (2014: Nil).

Table 2: Option holdings of Directors and Key Management Personnel

	Balance at 1 Jan 15	Net change (refer notes)	Balance at 31 Dec 15
D Brookes[2]	750,000	500,000	1,250,000
M Fraser	2,700,000	-	2,700,000
J Matthews	600,000	-	600,000
C Matthews (alt)	-	-	-
S MacLeman[2]	-	600,000	600,000
F Dwyer[1] (appointed 1 September 2015)	-	300,000	300,000
D Stephens (resigned 1 September 2015)	600,000	-	600,000
R Ridge (appointed 11 May 2015)	-	-	-
	4,650,000	**1,400,000**	**6,050,000**

[1] The Company has an obligation to issue 300,000 unlisted options to Mr Dwyer, as part of his terms of engagement. These options are subject to shareholder approval at the next Annual General Meeting. Following shareholder approval, the options can be exercised at any time prior to 31 December 2016 and will have an exercise price of $0.32. The estimated fair value at award date was $4,500.

[2] On 12 June 2015, the Company issued a total of 1,100,000 unlisted options to Directors. These options were approved by shareholders at the Company's Annual General Meeting held 27 May 2015. The options can be exercised at any time prior to 31 December 2016 and have an exercise price of $0.32. The estimated fair value at award date was $11,330.

None of the options contained vesting conditions, other than shareholder approval and hence have been expensed in the Company's statement of comprehensive income for the year ended 31 December 2015.

No shares were issued during the year as a result of an exercise of options.

Table 3: Shareholdings of Directors and Key Management Personnel

	Balance at 1 Jan 2015	Net change	Balance at 31 Dec 15
D Brookes	1,044,298	-	1,044,298
M Fraser	351,719	-	351,719
J Matthews/ C Matthews	8,964,556	-	8,964,556
S MacLeman	10,000	-	10,000
F Dwyer (appointed 1 September 2015)	-	-	-
D Stephens (resigned 1 September 2015)	50,199	-	50,199
R Ridge (appointed 11 May 2015)	-	-	-
	10,420,772	**-**	**10,420,772**

Other transactions and balances with key management personnel and their related parties
Donald Stephens, a former Director and Company Secretary of Reproductive Health Science Ltd, is a consultant with HLB Mann Judd (SA) Pty Ltd. Donald Stephens resigned as Company Secretary on 28 May 2015 and resigned as a Director on 1 September 2015. HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation, secretarial and transactional services provided during the 2015 year amounting to $66,352 including GST (2014: $151,696). A total of $nil including GST was outstanding at 31 December 2015 (2014: $22,936).

Simon O'Loughlin, a former director of Reproductive Health Science Ltd, is a partner of O'Loughlins Lawyers. Simon O'Loughlin resigned as a Director during the 2014 year, and therefore O'Loughlin Lawyers was not a related party at any time during the 2015 year. During the 2014 year, O'Loughlins Lawyers received professional fees of $145,369 for legal and transactional services provided . No amount was outstanding at 31 December 2014.

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Note	31 December 2015 $	31 December 2014 $
Sales Revenue		73,363	-
Cost of Goods Sold		(34,117)	-
Gross Profit		39,246	-
Other income	7	360,399	249,575
Total Income		399,645	249,575
Expenses			
Salaries and benefits	8	(1,090,467)	(864,405)
Consultants and professional fees		(203,821)	(261,886)
Research and development		(100,356)	(116,477)
Rent and property expenses		(145,858)	(44,533)
Depreciation and amortisation		(82,596)	(40,421)
Travel costs		(137,042)	(90,418)
Other expenses	9	(236,294)	(169,264)
Finance costs		(11,081)	(5,250)
Share based payments		(27,309)	(759,375)
Impairment expense		-	(139,519)
Transaction costs	3	-	(3,849,237)
Loss before income tax expense		(1,635,179)	(6,091,210)
Income tax benefit/(expense)	10	-	-
Loss from continuing operations		(1,635,179)	(6,091,210)
Loss attributable to members of the parent entity		(1,635,179)	(6,091,210)
Other comprehensive income			-
Total comprehensive loss for the year		(1,635,179)	(6,091,210)
Loss per share:		*Cents*	*Cents*
Basic earnings per share	22	(3.00)	(14.02)
Diluted earnings per share	22	(3.00)	(14.02)

Consolidated statement of financial position

As at 31 December 2015

	Note	31 December 2015 $	31 December 2014 $
CURRENT ASSETS			
Cash and cash equivalents	**11**	1,455,483	1,518,601
Trade and other receivables	**12**	72,965	202,134
Other current assets	**13**	22,871	45,511
TOTAL CURRENT ASSETS		1,551,319	1,766,246
NON-CURRENT ASSETS			
Property, plant and equipment	**14**	329,344	367,551
Intangible assets	**15**	66,519	1,770
TOTAL NON-CURRENT ASSETS		395,863	369,321
TOTAL ASSETS		1,947,182	2,135,567
CURRENT LIABILITIES			
Trade and other payables	**16**	251,667	314,408
Deferred Revenue	**17**	27,400	-
Interest-bearing loans and borrowings	**18**	35,159	-
Provisions		147,089	23,737
TOTAL CURRENT LIABILITIES		461,315	338,145
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	**18**	121,425	-
Provisions		14,058	62,112
TOTAL NON-CURRENT LIABILITIES		135,483	62,112
TOTAL LIABILITIES		596,798	400,257
NET ASSETS		1,350,384	1,735,310
EQUITY			
Contributed equity	**19**	12,239,599	11,016,655
Share based payments reserve	**20**	786,685	759,376
Accumulated losses		(11,675,900)	(10,040,721)
TOTAL EQUITY		1,350,384	1,735,310

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Note	Issued capital ordinary $	Share based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 January 2015		11,016,655	759,376	(10,040,721)	1,735,310
Comprehensive income					
Loss for the year		-	-	(1,635,179)	(1,635,179)
Other comprehensive income/(expense)		-	-	-	-
Total comprehensive income for the period		-	-	(1,635,179)	(1,635,179)
Transactions with owners, in their capacity as owners, and other transfers					
Issue of share capital		1,308,150	-	-	1,308,150
Costs associated with the issue of shares		(85,206)	-	-	(85,206)
Share based payments	**20**	-	27,309	-	27,309
Total transactions with owners and other transfers		1,222,944	27,309	-	1,250,253
Balance at 31 December 2015		12,239,599	786,685	(11,675,900)	1,350,384

Consolidated statement of changes in equity (Continued)

For the year ended 31 December 2014

	Note	Issued capital ordinary $	Share based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 January 2014		4,412,495	-	(3,949,511)	462,984
Comprehensive income					
Loss for the year		-	-	(6,091,210)	(6,091,210)
Other comprehensive income/(expense)		-	-	-	-
Total comprehensive income for the period		-	-	(6,091,210)	(6,091,210)
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued under the Company's prospectus		3,000,000	-	-	3,000,000
Deemed acquisition of Reproductive Health Science Ltd (formerly AO Energy Ltd)		3,554,415	-	-	3,554,415
Shares issued to David Brookes in accordance with a resolution passed by shareholders		219,824	-	-	219,824
Shares issued to the Company's brokers in lieu of fees		251,516	-	-	251,516
Redemption of promissory notes		(75,000)	-	-	(75,000)
Transaction costs in issuing shares		(346,595)	-	-	(346,595)
Share based payments	**20**	-	759,376	-	759,376
Total transactions with owners and other transfers		6,604,160	759,376	-	7,363,536
Balance at 31 December 2014		11,016,655	759,376	(10,040,721)	1,735,310

Consolidated statement of cash flows

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 $	Year ended 31 December 2014 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		86,668	-
Payments to suppliers and employees		(1,905,810)	(1,677,996)
Interest paid		(11,081)	(5,250)
Interest received		40,644	40,405
R&D Tax benefit		431,992	-
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	**11**	(1,357,587)	(1,642,841)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		-	(1,770)
Purchase of property, plant and equipment		(116,525)	(155,213)
Proceeds from the sale of assets		31,466	-
Refund of tenement bond		-	10,000
Proceeds from the sale of exploration and evaluation assets		-	82,500
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(85,059)	(64,483)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,308,150	3,000,000
Payment of transaction costs for issue of shares		(85,206)	(346,595)
Cash acquired upon completion of business combination	**3**	-	330,741
Proceeds from borrowings		190,481	100,000
Finance lease repayments		(33,897)	-
Repayment of promissory notes		-	(75,000)
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,379,528	3,009,146
Net increase/(decrease) in cash and cash equivalents		(63,118)	1,301,822
Cash at the beginning of the year		1,518,601	216,779
CASH AT THE END OF THE YEAR	**11**	1,455,483	1,518,601

Notes to the consolidated financial statements
For the year ended 31 December 2015

1. Corporate information
The consolidated financial statements of Reproductive Health Science Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 26 February 2015.

Reproductive Health Science Limited is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The Group's principal activities are described in the Director's Report.

2. Summary of significant accounting policies
2.1. Basis of preparation
The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The consolidated financial statements provide comparative information in respect of the previous period. The financial report is presented in Australian dollars, being the functional and presentation currency for the Group.

As discussed in Note 3 below, Reproductive Health Science Ltd (formerly AO Energy Ltd, 'RHS Parent') completed the acquisition of RHS Subsidiary Pty Ltd (formerly Reproductive Health Science Ltd, 'RHS Subsidiary') on 2 April 2014. RHS Subsidiary was deemed to be the acquirer for accounting purposes under the principles of AASB 3 Business Combinations. Accordingly, the consolidated financial statements of RHS Parent (formerly AO Energy Ltd) have been prepared as a continuation of the financial statements of RHS Subsidiary from 2 April 2014. The impact of the reverse acquisition on each of the primary statements is as follows:

Statement of Financial Position
- The comparative information in the statement of financial position represents both RHS Parent and RHS Subsidiary as at 31 December 2014.

Statement of Comprehensive Income
- The comparative information in the statement of comprehensive income comprises 12 months of RHS Subsidiary, and for RHS Parent it comprises the period 2 April 2014 to 31 December 2014.

Statement of Changes in Equity
- The comparative information in the statement of changes in equity comprises RHS Subsidiary equity balance at 1 January 2014, its loss for the period, and transactions with equity holders for the annual period. It also comprises RHS Parent's transactions with

equity holders for the period from 2 April 2014 to 31 December 2014 and the equity balances of RHS Subsidiary and RHS Parent as at 31 December 2014.

Statement of Cash Flows

- The comparative information in the statement of cash flows comprises the cash balance of RHS Subsidiary at 1 January 2014, the cash transactions of RHS Subsidiary for the twelve-month period and RHS Parent for the period from 2 April 2014 to 31 December 2014, and the cash balance of RHS Subsidiary and RHS Parent at 31 December 2014.

2.2. Compliance with International Financial Reporting Standards (IFRS)

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

2.3. Changes in accounting policy, disclosures, standards and interpretations

(i) Changes in accounting policies

The accounting policies adopted in the preparation of this Annual Report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014. However noting the change in composition of the entity during the prior year ended 31 December 2014 and basis of preparation of the financial statements discussed above, additional accounting policies were adopted in the prior year ended 31 December 2014 to reflect the balances contained within the balance sheet of RHS Subsidiary Pty Ltd.

(ii) New and amended standards and interpretations

The Group applied, for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 January 2015. The nature and the impact of each new standard and/or amendment is described below:

Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments - Amendments to AASB 2013-9.

The Standard contains three main parts and makes amendments to a number of Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.

AASB 2014-1 - Part A -Annual Improvements (2010–2012 Cycle)

This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.

Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:

- AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.
- AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segment assets to the entity's total assets.
- AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 Related Party Disclosures for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

AASB 2014-1 – Part A - Annual Improvements to IFRSs 2011–2013 Cycle
2011–2013 Cycle addresses the following items:

- AASB 13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.
- AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.

(iii) Accounting Standards and Interpretations issued but not yet effective
Australian Accounting Standards and Interpretations that have recently been issued or amended that potentially impact the Group but are not yet effective and have not been adopted by the Group for the annual reporting period ended 31 December 2015 are outlined below:

AASB 9 - Financial Instruments.
This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting.
AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.
Classification and measurement
AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.
The main changes are described below.

Financial assets

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

Financial liabilities - Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
- The remaining change is presented in profit or loss

AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.

Impairment - The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Hedge accounting - Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.
AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.
AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.

The Group has assessed that these amendments are unlikely to have any material effect for the Group.

AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138) (applicable to the Group from 1 January 2016)
AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The Group has assessed that these amendments are unlikely to have any material effect for the Group.

AASB 15 Revenue from Contracts with Customers (applicable to the Group from 1 January 2018)
AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).

AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.

AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.

The Group has assessed that these amendments are unlikely to have any material effect for the Group.

AASB 1057 Application of Australian Accounting Standards (applicable to the Group from 1 January 2016)
This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible.
The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.

The Group has assessed that these amendments are unlikely to have any material effect for the Group.

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle

The subjects of the principal amendments to the Standards are set out below:

AASB 5 Non-current Assets Held for Sale and Discontinued Operations:
Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change.

AASB 7 Financial Instruments:
Disclosures:

- Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is ‘continuing involvement’ for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7.
- Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134.

AASB 119 Employee Benefits:
Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.

AASB 134 Interim Financial Reporting:
Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.

The Group has assessed that these amendments are unlikely to have any material effect for the Group.

AASB 2015-2 - Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (applicable to the Group from 1 January 2016)
The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

The Group has assessed that these amendments are unlikely to have any material effect for the Group.

AASB 2015-3 - Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality (applicable to the Group from 1 January 2016)
The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

The Group has assessed that these amendments are unlikely to have any material effect for the Group.

IFRS 16 – Leases

The key features of IFRS 16 are as follows:

Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- IFRS 16 contains disclosure requirements for lessees.

Lessor accounting

- IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

IFRS 16 supersedes:

- IAS 17 Leases;
- IFRIC 4 Determining whether an Arrangement contains a Lease;
- SIC-15 Operating Leases—Incentives; and
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a
- Lease.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16.

The Group has assessed that these amendments are unlikely to have any material effect for the Group.

2.4. Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements, and
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss, and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the statement of comprehensive income listed as transaction costs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate Australian Accounting Standard. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(c) Current versus non-current classification
The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

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

All other assets are classified as non-current.

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

The Group classifies all other liabilities as non-current.

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

(d) Foreign currency translation
The Group's consolidated financial statements are presented in Australian dollars, which is also the Parent's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).
Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(e) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognised.

Interest income
For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.
The company does not provide any warranties to its customers.

(f) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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

Tax consolidation

Reproductive Health Science Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 2 April 2014. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Property, plant and equipment	2 – 8 years

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the profit or loss in the period in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life is reviewed at least at the end of each reporting period, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

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

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is de-recognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development, and
- The ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Patents and licences
The Group owns or is in the process of applying to obtain trademarks and patent protection. The patent protection is in respect of a single family of patents relating to a method of comparing chromosomes from two different karyotypes and methods for detecting chromosomal abnormalities using comparative genomic hybridisation and microarrays. The method is useful in reproductive medicine and has particular applications in the pre-implantation genetic screening (PGS) of an embryo or egg prior to implantation.

As a result, those patents and trademarks are assessed as having a finite useful life. The useful life estimated in relation to each of the Company's patents is the period commencing with notification of patent registration through to scheduled patent expiry in each jurisdiction. The useful life of the Company's patents ranges from 9 to 13 years. The useful life of trademark application and registration costs is 20 years. Amortisation of patents and trademarks is calculated on a straight line basis.

(i) Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee
Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

(j) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(k) Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(ii) Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(l) Provisions
Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(m) Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(n) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(o) Contributed equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and 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.

Key estimates

Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

3. Business combinations

Acquisition of Reproductive Health Science Pty Ltd

On 2 April 2014, the Group acquired 100% of the voting shares of Reproductive Health Science Pty Ltd (now RHS Subsidiary Pty Ltd, 'RHS'), an unlisted private company based in South Australia containing a portfolio of biotechnologies. Under the principles of AASB 3: Business Combinations, the acquisition was treated as a reverse acquisition.

RHS was the accounting acquirer and Reproductive Health Science Ltd ('RHS Parent', formerly AO Energy Ltd) was the accounting acquiree. Accordingly, the assets and liabilities of the legal subsidiary (the accounting acquirer), being RHS, were measured at their pre-combination carrying amounts. The assets and liabilities of the legal parent (accounting acquiree), being RHS Parent were measured at fair value on the date of acquisition.

Fair value of consideration transferred

The consideration in the reverse acquisition was deemed to have been incurred by the legal subsidiary (RHS) in the form of equity instruments issued to shareholders of the legal parent entity (RHS Parent). The acquisition-date fair value of the consideration transferred was determined by reference to the fair value of the number of shares the legal subsidiary (RHS) would have issued to the legal parent entity (RHS Parent) to obtain the same ownership interest in the combined entity.

The purchase consideration deemed to have been paid differed from the actual consideration paid due to the nature of the reverse acquisition. The legal cost that RHS Parent paid to acquire RHS Subsidiary was 19,120,947 fully paid ordinary shares, having a deemed value of $1,912,095.

As RHS Parent did not contain an operating business and represented merely a listed shell company, the surplus of $3,121,430 being the excess of consideration after accounting for identifiable assets and liabilities assumed, was expensed and treated as part of the total transaction costs in the Company's statement of comprehensive income for the comparative period to 31 December 2014 ($3,849,237).

From the date of acquisition, RHS Parent contributed $2,418,957 to the net loss after tax from the continuing operations of the Group for the comparative period ending 31 December 2014. If the combination had taken place at the beginning of that year, the loss from continuing operations for that comparative period would have been $6,103,330.

4. Operating Segments

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group only operates in one business segment being the product development and commercialisation of Biotechnology technologies. Following the discontinued operations of the former business in RHS Parent (formerly AO Energy Ltd), the previously capitalised exploration costs have all been either fully written off or realised by way of sale. Therefore, all segment assets and liabilities, and the segment result, relate to the one business segment and consequently no detailed segment analysis has been prepared.

5. Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal Activities	Country of incorporation	% Equity interest	
			2015	**2014**
RHS Subsidiary Pty Ltd	Biotechnology technology development	Australia	100%	100%
AO Energy (Singapore) Pte. Ltd.	Dormant subsidiary	Singapore	100%	100%

Parent of the group

The parent entity of the Group is Reproductive Health Science Ltd and is based and listed in Australia.

6. Financial assets and financial liabilities

6.1 Financial risk management objectives and policies

The Group's principal financial liabilities comprise of borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables and cash and short-term deposits that derive directly from its operations.

The Group is not exposed materially to market risk, credit risk, foreign exchange risk or liquidity risk. The Board takes ultimate responsibility for managing the financial risks of the Group.

Management assessed that the fair values of cash, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Interest bearing liabilities have been entered into in the current year and as such fair value approximates the carrying value, as there has not been a significant change in market rates.

Trade receivables

Group does not have a material risk in trade receivables due ordinarily only having other receivables relating to receipts from the Australian Taxation Office in relation to GST refunds or other sundry receivables from time to time.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 19 and 20.

Proceeds from share issues are used to fund the Group's commercialisation and product development of its biotechnology patent portfolio.

7. Other income

	31 Dec 2015 $	31 Dec 2014 $
Interest income	32,333	50,401
Research and development tax incentive	274,615	157,377
Export Marketing Development Grant	40,000	-
Gain on foreign exchange translation	-	4,297
Gain on sale of assets	13,451	-
Gain on sale of tenement	-	37,500
	360,399	249,575

8. Salaries and benefits

Wages, salaries and other remuneration expenses	966,724	732,168
Increase/(decrease) in employee provisions	38,117	76,148
Superannuation expense	85,626	56,089
	1,090,467	864,405

9. Other expenses

Share registry expenses	12,608	39,231
ASX fees (including annual listing fee)	21,291	32,031
IT expenses	35,261	18,628
Repairs and maintenance	10,985	17,901
Insurance expenses	24,388	17,855
Annual General Meeting and General Meeting expenses	7,745	12,477
Subscriptions and memberships	20,475	8,440
Telephone	6,705	3,936
FX loss	3,825	-
Patent & Trademark annual license fees	31,524	-
Client Training	25,321	-
Other expenses	36,166	18,765
	236,294	169,264

10.Income tax

	31 Dec 2015 $	31 Dec 2014 $
Accounting (loss) before income tax	**(1,635,179)**	**(6,091,210)**
At Australia's statutory income tax rate of 30% (2014: 30%)	(490,554)	(1,827,363)
Adjust for the tax effect of:		
Other non-allowable items	11,814	1,383,230
Non assessable income	(82,385)	(47,213)
Unrecognised tax assets	561,125	491,346
Income tax (benefit)	-	-

Reproductive Health Science Ltd and its 100% owned resident Australian subsidiary have formed a tax consolidated group with effect from 2 April 2014. Reproductive Health Science Ltd is the head entity of the tax consolidated group.

At 31 December 2015, the Group has total tax losses of the Australian companies within the Group of $ 6,262,744 (2014: $4,084,038) that are available indefinitely to offset against future taxable profits of the Group. These losses include $3,163,000 tax transferred to the tax consolidated group on the acquisition of RHS Subsidiary Pty Ltd on 2 April 2014. The utilisation of these losses acquired will be restricted to the available fraction of 0.853.

A deferred tax asset shall only be recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable income will be available against which unused tax losses can be utilised. The total deferred tax asset of $1,879,000 (2014: 1,225,000) arising from the carried forward tax losses has not been recognised as meeting the probability criteria.

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- assessable income is derived of a nature and amount sufficient to enable the benefit from the deductions to be realised
- conditions for deductibility imposed by the law are complied with, and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

11.Cash and cash equivalents

	31 Dec 15 $	31 Dec 14 $
Cash in bank and on hand	1,455,483	1,518,601
	1,455,483	1,518,601

Reconciliation of net loss after tax to net cash flows from operations		
Accounting loss after income tax	(1,635,179)	(6,091,210)
Adjustments for:		
Impairment expense	-	139,519
Depreciation and amortisation	82,596	40,421
Share based payments	27,309	759,375
Non cash transaction costs	-	3,593,370
Gain on sale of tenements	-	37,500
Gain on sale of property plant and equipment	(13,451)	-
Changes in assets and liabilities:		
Decrease/ (increase) in trade and other receivables	129,169	(187,261)
Decrease/ (increase) in interest receivable and prepayments	22,640	55,258
(Decrease)/ increase in trade and other payables	(73,369)	33,084
(Decrease)/ increase in deferred revenue	27,400	-
(Decrease)/ increase in provisions	75,298	(22,897)
Net cash (used in) operating activities	1,357,587	(1,642,841)

12.Trade and other receivables

	31 Dec 15 $	31 Dec 14 $
Trade Receivables	14,095	-
GST Receivable	13,154	43,784
R&D Tax Credit	-	157,377
Export Marketing Development Grant	40,000	-
Other Receivables	5,716	973
	72,965	202,134

Other receivables are non-interest bearing and are generally received within 30 days.

13.Other current assets

	31 Dec 15 $	31 Dec 14 $
Interest receivable	1,685	9,996
Prepayments	8,398	25,115
Raw Materials	2,388	-
Other current assets	10,400	10,400
	22,871	45,511

14.Property, plant and equipment

Property, plant and equipment - Cost		
Opening cost 1 Jan	645,318	415,148
Acquired from business combination	-	8,257
Additions	54,861	221,913
Disposals	(7,897)	
	692,282	645,318
Accumulated depreciation		
Opening balance 1 Jan	293,267	252,846
Depreciation expense	75,054	40,421
Disposals	(5,383)	
	362,938	293,267
Net book value of property and equipment	329,344	352,051
Freehold land - Cost		
Opening cost 1 Jan	15,500	-
Acquired from business combination	-	15,500
Disposal	(15,500)	-
	-	15,500
Net book value of property, plant and equipment	329,344	367,551

15.Intangible Assets

	31 Dec 15 $	31 Dec 14 $
Balance at the beginning of the year	1,770	139,519
Additional patent costs	72,291	1,770
Amortisation expense	(7,542)	-
Impairment to intangible asset	-	(139,519)
	66,519	1,770

The remaining intangible asset balance at 31 December 2015 relates to costs associated with obtaining patents and trademarks in a number of jurisdictions. As described in Note 1, these costs are being amortised over the term of the patents and trademarks, being the period from notification of approval to expiry.

The impairment in the year ended 31 December 2014 represents the write down of the Group's historical accumulated legal costs in relation to securing patents and licenses for its biotechnology portfolio. This impairment was taken to align the entities financial position with its accounting policy as described in Note 1.

16.Trade and other payables

Trade payables	25,445	53,628
Other payables	226,222	260,780
	251,667	314,408

17.Deferred Revenue

Balance at the beginning of the year	-	-
Deferred during the year	27,400	-
Released to the statement of comprehensive income	-	-
	27,400	-

Current	27,400	-
Non-current	-	-
	27,400	-

The balance of deferred revenue represents the receipt of payments for which the Company is yet to provide the goods or services as at the end of year. Once the goods or services are provided, the deferred revenue will be released to the Statement of Comprehensive Income as revenue earned.

18.Interest-bearing loans and borrowings

	31 Dec 15	31 Dec 14
	$	$
Obligations under finance lease		
Current	35,159	-
Non-current	121,425	-
Total	156,584	-

On 30 January 2015, the Group entered into a finance lease with its financier for the sum of $190,481. The finance lease provides for fixed monthly payments, over a five year period, comprising principal and interest at 6.98%. Future minimum lease payments under the finance lease are as follows:

Within one year	44,978	-
After one year but less than five years	134,933	-
More than five years	-	-
Total minimum lease payments	179,911	-
Less amounts representing finance charges	(23,327)	-
Present value of minimum lease payments	156,584	-

The finance lease is secured over the relevant item of plant that the Group owns.

19.Contributed equity

	31 Dec 2015 $	31 Dec 2014 $
59,005,165 Ordinary fully paid shares (2014: 51,310,165)	12,239,599	11,016,655
	12,239,599	11,016,655

	Number of shares	Consolidated $
Balance as at 1 January 2015	51,310,165	11,016,655
Placement of shares at $0.17 [1]	7,695,000	1,308,150
Costs associated with the issue of shares	-	(85,206)
	59,005,165	12,239,599

[1] On the 30 July 2015, the Company issued 7,695,000 shares at $0.17 cents per share, raising $1,308,150 before capital raising costs. Costs associated with the capital raise were $85,206.

20.Share Option Reserve

	31 Dec 15 $	31 Dec 14 $
Share based payments reserve	786,685	759,376
	786,685	759,376

Share based payments reserve		
Opening balance 1 January	759,376	-
Fair value of share options issued	27,309	759,376
	786,685	759,376

The share option reserve comprises the fair value of options issued to directors of the Company and other parties.

In accordance with shareholder approval at the Company's Annual General Meeting dated 27 May 2015, a total of 1,100,000 unlisted options were issued to the directors of the Company. These options have an exercise price of $0.32, and expire 31 December 2016.

The options were valued using a binomial option valuation method, using the following assumptions:

Volatility Rate:	58%
Estimated life	1.6 years
Risk free rate	1.99%
Number of steps	1,000

The total value pertaining to these options using the above assumptions amounted to $11,330. None of the options contained vesting conditions and hence have been expensed in the Company's statement of comprehensive income for the year ended 31 December 2015.

On 12 June 2015, the Company issued a total of 200,000 unlisted options to an employee under the Employee Share Option plan. The options can be exercised at any time prior to 12 June 2020 and have an exercise price of $0.25. The options were valued using a binomial option valuation method, using the following assumptions:

Volatility Rate:	58%
Estimated life	5 years
Risk free rate	2.25%
Number of steps	1,000

The total value pertaining to these options using the above assumptions amounted to $10,240. None of the options contained vesting conditions and hence have been expensed in the Company's statement of comprehensive income for the year ended 31 December 2015.

The Company has an obligation to issue 300,000 unlisted options to a Director, pursuant to their terms of engagement dated 1 September 2015. These options are subject to shareholder approval at the next Annual General Meeting. Following shareholder approval, the options can be exercised at any time prior to 31 December 2016 and will have an exercise price of $0.32. The options were valued using a binomial option valuation method, using the following assumptions:

Volatility Rate:	68%
Estimated life	1.3 years
Risk free rate	1.77%
Number of steps	1,000

The total value pertaining to these options using the above assumptions amounted to $4,500. None of the options contained vesting conditions, other than shareholder approval and hence have been expensed in the Company's statement of comprehensive income for the year ended 31 December 2015.

On 21 August 2015, the Company issued a total of 200,000 unlisted options to an employee under the Employee Share Option plan. The options were to be exercised at any time prior to 28 September 2015 and had an exercise price of $0.25. The options were valued using a binomial option valuation method, using the following assumptions:

Volatility Rate:	68%
Estimated life	0.1 year
Risk free rate	1.9%
Number of steps	1,000

The total value pertaining to these options using the above assumptions amounted to $1,239. None of the options contained vesting conditions and hence have been expensed in the Company's statement of comprehensive income for the year ended 31 December 2015. These options lapsed on 28 September 2015.

21.Related party disclosures

Remuneration of Key Management Personnel

	31 Dec 15 $	31 Dec 14 $
Short-term employee benefits	413,023	325,627
Share based payments	15,830	734,670
Post-employment benefits	30,343	23,774
Total compensation	459,196	1,084,071

Other transactions and balances with key management personnel and their related parties
Donald Stephens, a former Director and Company Secretary of Reproductive Health Science Ltd, is a consultant with HLB Mann Judd (SA) Pty Ltd. Donald Stephens resigned as Company Secretary on 28 May 2015 and resigned as a Director on 1 September 2015. HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation, secretarial and transactional services provided during the 2015 year amounting to $66,352 including GST (2014: $151,696). A total of $nil including GST was outstanding at 31 December 2015 (2014: $22,936).

Simon O'Loughlin, a former director of Reproductive Health Science Ltd, is a partner of O'Loughlins Lawyers. Simon O'Loughlin resigned as a Director during the 2014 year, and therefore O'Loughlin Lawyers was not a related party at any time during the 2015 year. During the 2014 year, O'Loughlins Lawyers received professional fees of $145,369 for legal and transactional services provided. No amount was outstanding at 31 December 2014.

22.Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	Consolidated	
	2015 **$**	**2014** **$**
Net loss attributable to ordinary equity holders of the parent entity:		
Continuing operations	(1,635,179)	(6,091,210)
Weighted average number of ordinary shares for basic earnings per share	54,556,823	43,440,198
Effect of dilution		
Share options	N/A	N/A
Weighted average number of ordinary shares adjusted for the effect of dilution	54,556,823	43,440,198

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account. A total of 7,629,105 unlisted options, as outlined in the Directors' Report, could potentially dilute basic EPS in the future.

23.Events after the reporting period

There has not arisen any matters or circumstances, since the end of the financial year, which significantly affected or could affect the operations of the Group, the results of those operations, or the state of the Group in future years.

24.Auditors remuneration

	31 Dec 15 $	31 Dec 14 $
An audit or review of the financial report	25,000	25,000
Other audit fees*	-	11,227
	25,000	36,227

* Fees rendered in connection with the Group's Limited Assurance Report contained within the Company's prospectus dated 7 March 2014.

25.Parent entity information

Current assets	1,537,753	1,734,707
Non-current assets	329,343	400,850
Total assets	1,867,096	2,135,557
Liabilities		
Current liabilities	(311,878)	(314,398)
Non-current liabilities	(204,835)	(85,849)
Total liabilities	(516,713)	(400,247)
Issued capital	52,846,974	51,624,030
Accumulated losses	(52,841,726)	(51,206,546)
Reserve	1,345,135	1,317,826
Total shareholders' equity	1,350,383	1,735,310
Loss of the parent entity	(1,635,180)	(2,750,792)
Total comprehensive loss of the parent entity	(1,635,180)	(2,750,792)

26.Going concern basis of accounting

In preparing the annual report, the Directors have made an assessment of the ability of the Group to continue as a going concern. As described in the Directors' Report, the Company remains in the start-up phase of operations and is forecast to operate at an operating loss and cash flow deficit for the immediate forecast period. In considering their position, the Directors have had regard to the current cash reserves and forecasts of cash expenditure and income; together with the likelihood of being able to raise funds in future should a need arise. The Directors have concluded there are reasonable grounds to believe the Company is a going concern and will be able to continue to pay its debts as and when they become due and payable.

Should the Group not achieve its forecast trading result or not raise funds of a level or timing as required, there is material uncertainty as to whether the Group will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

Directors' declaration

In accordance with a resolution of the directors of Reproductive Health Science Limited, I state that:

In the opinion of the directors:

a) The financial statements and notes of Reproductive Health Science Limited for the year ended 31 December 2015 are in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

   ii. complying with Accounting Standards and the Corporations Regulations 2001;

b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.2; and

c) Subject to the matters detailed at Note 26 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and the Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 31 December 2015.

On behalf of the board

Dr David Brookes
Chairman

26 February 2016

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Independent auditor's report to the members of Reproductive Health Science Limited

Report on the financial report

We have audited the accompanying financial report of Reproductive Health Science Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity 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 controls as the directors determine are 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 Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Building a better working world

Opinion

In our opinion:

a. the financial report of Reproductive Health Science is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Material Uncertainty Regarding Continuation as a Going Concern

Without modification to our opinion, we draw attention to Note 26 in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. The conditions set forth in Note 26, indicate the existence of a material uncertainty that may cast material doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included in pages 14 to 18 of the directors' report for the year 31 December 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Reproductive Health Science Limited for the year ended 31 December 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Mark Phelps

Mark Phelps
Partner
Adelaide
26 February 2016