



MONASH IVF GROUP

Prospectus MONASH IVF GROUP LIMITED



Monash IVF Group Limited
ACN 169 302 309

Joint Lead Managers



Morgan Stanley

MACQUARIE

Financial adviser



IMPORTANT NOTICES

The Offer

This Prospectus is issued by Monash IVF Group Limited (ACN 169 302 309) (the 'Company') for the purposes of Chapter 6D of the Corporations Act 2001 (Cth) ('Corporations Act'). The Offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares ('Shares') in the Company. Refer to Section 7 of this Prospectus for further information.

Lodgement and listing

This Prospectus is dated 13 June 2014 and a copy was lodged with the Australian Securities and Investments Commission ('ASIC') on that date ('Prospectus Date'). This is a replacement prospectus that replaces the prospectus dated and lodged with ASIC on 5 June 2014 ('Original Prospectus').

This Prospectus differs from the Original Prospectus, including in the following areas: (i) FY2014 and FY2015 pro forma ratio figures have been included in the offer statistics table on pages 3 and 13; (ii) statutory NPAT has been included in the key financial metrics table on page 12; (iii) the Pre-Completion Interest of Existing Owners in the tables on pages 14 and 118 is expressed only as a percentage; (iv) the footnote explaining incremental costs as a public company in Tables 14, 15, 24 and 25 has been revised; (v) statutory figures for EBITDA/EBIT/NPAT growth and EBITDA/EBIT margin, have been included in Tables 12 and 13; (vi) Table 19 has been removed; (vii) the term 'pro forma' has been included in certain parts of section 4 when referring to EBITDA and EBIT; (viii) the terms 'reviewed' and 'audited' have been included in certain parts of section 4 (as applicable) when referring to financial statements; (ix) a note has been added to Table 29 referring to forecast pro forma revenue breakdowns; (x) Monash Group statutory revenue has been included in Table 36; and (xi) the lodgement of a replacement prospectus has also required amendments to the definition of "Prospectus" (and associated definitions) and the Offer Timetable.

The Company applied to ASX Limited ('ASX') within seven days after the date of the Original Prospectus for admission of the Company to the Official List and quotation of its Shares on ASX. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

As set out in Section 7, it is expected that the Shares will be quoted on ASX initially on a deferred settlement basis. The Company, the Share Registry, and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Expiry Date

This Prospectus expires on the date which is 13 months after the date of the Original Prospectus ('Expiry Date') and no securities will be issued on the basis of this Prospectus after the Expiry Date.

Not investment advice

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

In particular, you should consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding

whether to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

This Prospectus includes information regarding past performance of Monash Group. Investors should be aware that past performance is not indicative of future performance.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, the Joint Lead Managers or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

Financial Information presentation

Section 4 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that information.

All references to FY2011, FY2012, FY2013, FY2014 and FY2015 appearing in this Prospectus are to the financial years ended or ending 30 June 2011, 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015, respectively, unless otherwise indicated. All references to 1H FY2013 and 1H FY2014 appearing in this Prospectus are to the six months ended or ending 31 December 2012 and 31 December 2013, respectively, unless otherwise indicated.

The Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards, except where otherwise stated. The Forecast Financial Information included in this Prospectus is unaudited and is based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable, consistent with the basis of preparation and presentation of the Historical Financial Information.

The Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Section 4.

Forward looking statements

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. The Forecast Financial Information included in Section 4 of this Prospectus is an example of forward looking statements. Any forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of Monash Group. The Forecast Financial Information and the forward looking statements should be read in conjunction with, and qualified by reference to, the risk factors as set out in Section 5, the specific and general assumptions set out in Sections 4.7.1 and 4.7.2, the sensitivity analysis set out in Section 4.8 and other information contained in this Prospectus.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements

contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward looking statements. The Company has no intention to update or revise forward looking statements, or to publish prospective Financial Information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the industry overview in Section 2, uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

Foreign jurisdictions

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions.

The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. For details of selling restrictions that apply to the Shares in certain jurisdictions outside of Australia, please refer to Section 7.7.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. The Shares have not been, and will not be, registered under the United States Securities Act of 1933 ('US Securities Act') or the securities laws of any state of the United States, and may not be offered or sold in the United States, except in a transaction exempt from, or not subject to, registration under the United States Securities Act and applicable US state securities laws.

Exposure Period

The Corporations Act prohibits the Company from processing applications for Shares under this Prospectus in the seven day period after the date of the Original Prospectus and the extension of that period by ASIC for a further seven days ('Exposure Period'). The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of the funds. The examination may result in the identification of certain deficiencies in this Prospectus in which case any application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to applications received during the Exposure Period.

Prospectus availability

During the offer period, a paper copy of this Prospectus is available free of charge to any person in Australia by calling the Monash Group Offer Information Line on 1800 063 366 from 8.30am to 5.30pm (Sydney time), Monday to Friday (Business Days only). This Prospectus is also available to Australian resident investors in electronic form at the Offer website www.monashivfgroup.com.au.

The Offer constituted by this Prospectus in electronic form is available only to

persons downloading or printing it within Australia and is not available to persons in any other jurisdiction (including the United States) without the prior approval of the Company and the Joint Lead Managers. Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus.

Applications

Applications may be made only during the offer period on the appropriate Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from www.monashivfgroup.com.au. By making an application, you represent and warrant that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your application once it has been accepted.

Defined terms and abbreviations

Some words and expressions used in this Prospectus have defined meanings, which are explained in the Glossary. Unless otherwise stated or implied, a reference to time in this Prospectus is to Sydney time. Unless otherwise stated or implied, references to dates or years are calendar year references. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and the sum of components in tables contained in this Prospectus are due to rounding. References to minimum application amounts, guaranteed minimum allocations and similar amounts may vary slightly to actual amounts due to rounding.

Privacy

By completing an Application Form or otherwise applying for Shares, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage applications. For information on how this information may be used, your rights to request access to it and the Company's privacy practices, refer to Section 9.8.

Website

The Company maintains a website at www.monashivfgroup.com.au. Any references to documents included on the Company's website are for convenience only, and information contained in or otherwise accessible through this or a related website is not a part of this Prospectus.

Independent Limited Assurance Report on Financial Information and financial services guide

The provider of the Independent Limited Assurance Report on the Financial Information is required to provide Australian retail investors with a financial services guide in relation to its independent review under the Corporations Act.

The Independent Limited Assurance Report and accompanying financial services guide is provided in Section 8.

Questions

If you have any questions about how to apply for Shares, please call your Broker. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form. Alternatively, call the Monash Group Offer Information Line on 1800 063 366 from 8.30am to 5.30pm (Sydney time), Monday to Friday (Business Days only).

Contents

Chairman's letter	2
Key dates and Offer statistics	3
1. Investment overview	4
2. Industry overview	19
3. Business overview	37
4. Financial Information	54
5. Risks	95
6. Key people, interests and benefits	101
7. Details of the Offer	115
8. Investigating Accountant's report	129
9. Additional information	138
Appendix A: Significant accounting policies	148
Appendix B: Glossary	159
Corporate directory	Inside Back Cover

Chairman's letter

13 June 2014

Dear investor,

On behalf of the directors, I am pleased to offer you the opportunity to become a shareholder in Monash IVF Group Limited.

Since the 1970's, Monash Group has developed into one of the largest providers of assisted reproductive services in Australia and Malaysia. Monash Group's services have helped its patients give birth to more than 35,000 babies.

Monash Group's businesses developed from the scientific and medical departments at Monash University and the University of Adelaide. They retain a strong focus on scientific and clinical excellence and innovation, and have achieved numerous Australian and world firsts in scientific and clinical practices in the field of assisted reproductive services.

Monash Group was brought together in 2009 through the combination of Reproned and Monash IVF. Since then, Monash Group has grown its clinic network and expanded the range of services offered to patients. Monash Group now operates in Victoria, South Australia, Queensland, Northern Territory and New South Wales in Australia. In 2013, Monash Group expanded internationally through its acquisition of Kuala Lumpur Fertility and Gynaecology Centre in Malaysia.

At the core of Monash Group's success is a team of 75 skilled fertility specialists, who provide the medical component of assisted reproductive services, and over 440 scientific staff, nursing and patient services staff, sonologists and sonographers, counsellors and administrative and other staff. Monash Group's fertility specialists and workforce provide services to its patients from 12 permanent fertility clinics, six satellite clinics, six ultrasound clinics, two specialised diagnostics laboratories and one day hospital in Australia, and one permanent fertility clinic in Malaysia.

Monash Group is strategically positioned to capitalise on growth opportunities in Australia and internationally, particularly through leveraging competitive advantages which it believes arise as a result of operating a large fertility services business. Monash Group's growth strategy is centred around growing its share in existing markets, investing in best-in-class science and testing, expanding its clinic network in Australia and expanding its Asian business.

An investment in Monash Group is subject to risks including changes in Commonwealth Government funding arrangements for assisted reproductive services, an inability to recruit and retain fertility specialists and scientific staff, and a risk of increased competition. Investors should refer to Section 5 for further information on the key risks of investing in Monash Group.

Before deciding whether to invest in Monash Group, you should read this prospectus carefully and consult with your stockbroker, solicitor, accountant or other independent professional adviser.

As Monash Group commences this new and exciting chapter of its history, we look forward to welcoming you as a shareholder.

Yours sincerely,



Mr Richard Davis

Chairman

Key dates and Offer statistics

Key dates

Lodgement of Prospectus	13 June 2014
Broker Firm Offer and Priority Offer period opens	9.00am (Sydney time) on 20 June 2014
Broker Firm Offer and Priority Offer period closes	5.00pm (Sydney time) on 23 June 2014
Settlement of the Offer	25 June 2014
Issue of Shares	26 June 2014
Commencement of trading on ASX on a deferred settlement basis	26 June 2014
Expected despatch of holding statements	27 June 2014
Expected commencement of trading on ASX on a normal settlement basis	30 June 2014

Dates may change

The dates above are indicative only and may change. The Company, in conjunction with the Joint Lead Managers, reserves the right to vary the dates of the Offer without prior notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the date the Offer closes, to accept late applications or to cancel the Offer before settlement). If the Offer is cancelled before the issue of Shares, then all application monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Applicants are encouraged to submit their Application Forms as soon as possible after the Offer opens.

How to invest

Applications for Shares can be made in accordance with the procedures described in the Prospectus. Instructions on how to apply for Shares are set out in Sections 7.3 and 7.4.

Offer statistics

Offer Price	\$1.85 per Share
Total number of Shares offered to investors under the Offer	170.7 million
Total number of Shares held by Existing Owners on Completion ¹	60.3 million
Total number of Shares on issue on Completion	231.1 million
Amount to be raised under the Offer	\$315.9 million
Market capitalisation at the Offer Price ²	\$427.5 million
Pro forma net debt on Completion	\$95.0 million
Enterprise Value ³ on Completion	\$522.5 million
Enterprise Value/Pro forma FY2014 forecast EBITDA (times) ⁴	13.5x
Enterprise Value/Pro forma FY2015 forecast EBITDA (times) ⁴	11.6x
Enterprise Value/Pro forma FY2014 forecast EBIT (times) ⁴	14.5x
Enterprise Value/Pro forma FY2015 forecast EBIT (times) ⁴	12.6x
Offer Price/Pro forma FY2014 forecast NPAT per Share (times) ^{4,5}	19.4x
Offer Price/Pro forma FY2015 forecast NPAT per Share (times) ^{4,5}	16.4x
Indicative FY2015 forecast dividend yield at the Offer Price (based on the target dividend payout ratio of 65% and statutory FY2015 forecast NPAT) ^{4,6}	4.0%

¹ 39.2 million of these Shares will be subject to voluntary escrow arrangements as described in Section 6.5.

² Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on issue on Completion.

³ Enterprise Value is equal to the sum of the market capitalisation of the Company and the expected net debt on Completion.

⁴ The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4.7 and Appendix A, and is subject to the key risks set out in Section 5. There is no guarantee that forecasts will be achieved. Certain Financial Information included in this Prospectus is described as pro forma for the reasons described in Section 4.2. FY2014 Statutory EBITDA, EBIT and NPAT include \$11.7 million of IPO transaction costs.

⁵ This ratio is commonly referred to as a price to earnings, or PE, ratio. A PE ratio is a company's share price divided by its earnings per share.

⁶ Indicative dividend yield is calculated as the implied dividend per Share based on the target dividend payout ratio of 65% and statutory FY2015 forecast NPAT, divided by the Offer Price. It is the Directors' current intention to target a payout ratio of 65% of statutory NPAT in FY2015. However, the payment of a dividend by Monash Group is at the discretion of the Directors and will be a function of a number of factors the Directors may consider relevant. For more information on Monash Group's dividend policy, see Section 4.9.



1. Investment overview

1. Investment overview

1.1 Introduction		
Topic	Summary	Further information
What is Monash Group?	<p>Monash Group is a leader in the field of fertility services and one of the largest providers of Assisted Reproductive Services (the most significant component of fertility services) in Australia and Malaysia.</p> <p>Services are provided to patients in Australia through 12 permanent fertility clinics, six satellite clinics, six ultrasound clinics, two specialised diagnostics laboratories and one day hospital. Services are also provided from one permanent fertility clinic in Malaysia.</p>	Section 3.1
Who are Monash Group's patients?	<p>Monash Group provides Assisted Reproductive Services to people who are unable to conceive a child naturally, as well as ultrasound services to IVF patients and other women. Its patients largely comprise women aged 25 to 54 who are experiencing fertility issues, with the majority being between the ages of 30 and 44.</p>	Section 2.4
What are Assisted Reproductive Services?	<p>Assisted Reproductive Services encompass a range of techniques used to assist patients experiencing infertility to achieve a clinical pregnancy. The Australian Assisted Reproductive Services market consists of four core services, comprising:</p> <ul style="list-style-type: none"> + in-vitro fertilisation cycles ('IVF Cycle'); + intracytoplasmic sperm injection; + frozen embryo transfers; and + intrauterine insemination and donor insemination, <p>supported by diagnostic services and a number of ancillary services including treatments that can be either a substitute for, or complementary to, the core services.</p> <p>An IVF Cycle is the most common Assisted Reproductive Services treatment. This involves retrieving eggs from a woman at the point of maturation and fertilising them in a laboratory to form an embryo before transferring the embryo into the woman's uterus.</p>	Section 2.2
Why is the Offer being conducted?	<p>The purpose of the Offer is:</p> <ul style="list-style-type: none"> + to enable Monash IVF Group Limited (the 'Company') to acquire Monash Group from the Existing Owners; + to fund the part repayment of Monash Group's existing bank debt and associated costs; + to provide a liquid market for Shares in the Company; + to provide Monash Group with the benefits of an increased profile that arises from being listed; + to provide Monash Group with access to the capital markets to improve capital management flexibility; and + to assist Monash Group in attracting and retaining quality staff. 	Section 7.1.1

1. Investment overview

1.2 Key features of Monash Group's business model

Topic	Summary	Further information
<p>How does Monash Group generate its income?</p>	<p>Monash Group generates income by providing Assisted Reproductive Services treatments to patients, as well as providing ultrasound services to its IVF patients and other women.</p> <ul style="list-style-type: none"> + Core Assisted Reproductive Services – Monash Group provides a broad range of Assisted Reproductive Services treatments. Fertility Specialists, scientific staff and nurses deliver these services using Monash Group's clinics and laboratories. The most common treatments are IVF Cycles and frozen embryo transfers. Monash Group offers a full-service offering (with the widest range of treatments available) and a lower intervention service offering (with a select range of services offered for a lower total cost). Assisted Reproductive Services generated 81% of Monash Group's pro forma revenue in FY2013. + Diagnostic and ancillary services – Monash Group conducts in-house specialised diagnostic and genetic testing, including pre-implantation genetic diagnosis ('PGD') and pre-implantation genetic screening ('PGS'). Diagnostic and ancillary services accounted for 14% of Monash Group's pro forma revenue in FY2013. + Ultrasound – Monash Group's ultrasound business, Monash Ultrasound for Women ('MUFW'), is Victoria's largest specialist obstetric and gynaecological ultrasound provider by number of practices, delivering care to patients in Melbourne. Ultrasound generated 5% of Monash Group's pro forma revenue in FY2013. <p>A significant proportion of Monash Group's income paid by patients is funded (or reimbursed) by the Commonwealth Government through the Medicare Benefits Schedule and the Extended Medicare Safety Net.</p>	<p>Sections 3.4.1, 3.4.2 and 3.4.3</p>
<p>In which geographical markets does Monash Group operate?</p>	<p>Australia</p> <p>Monash Group is a leading Assisted Reproductive Services provider in Victoria, South Australia and the Northern Territory, with a strong presence in Queensland. Together, these states and territories accounted for 54% of the IVF Cycles and frozen embryo transfers that were undertaken in Australia in 2013. Monash Group also has an emerging presence in New South Wales and partly owns a clinic in the Australian Capital Territory.</p> <p>International</p> <p>Monash Group is a leading Assisted Reproductive Services provider in Malaysia and has a co-operative agreement with a hospital in China.</p>	<p>Section 3.5</p>
<p>What is Monash Group's relationship with Fertility Specialists?</p>	<p>Fertility Specialists are engaged by Monash Group to provide the medical component of Assisted Reproductive Services, including providing medical care to patients during an IVF Cycle and performing surgical procedures.</p> <p>Monash Group contracts with or employs 75 Fertility Specialists.</p> <p>Monash Group relies upon its ability to attract and retain high quality Fertility Specialists to provide fertility services from which its revenue is derived.</p> <p>Fertility Specialists employed or engaged by Monash Group are subject to non-compete and non-solicit obligations for various periods following their employment or engagement with Monash Group.</p>	<p>Section 3.7</p>

1. Investment overview

1.2 Key features of Monash Group's business model

Topic	Summary	Further information
What is Monash Group's growth strategy?	<p>Monash Group is strategically positioned to capitalise on growth opportunities in Australia and internationally, particularly through leveraging competitive advantages which it believes arise as a result of operating a large fertility services business.</p> <p>Monash Group's growth strategy is centred around growing its share in existing markets, investing in best-in-class science and testing, expanding its clinic network in Australia and expanding its Asian business.</p>	Sections 3.9 and 2.7.2
How does Monash Group expect to fund its operations?	<p>Monash Group's operations have historically been funded through cash flow generated by operations. Past acquisitions have been funded through a combination of cash flow from operations, debt and equity.</p> <p>On Completion, Monash Group will have New Banking Facilities in place of \$105 million, comprising a cash advance facility and a working capital facility, with drawn debt of \$96 million.</p>	Sections 4 and 9.3

1.3 Key strengths

Topic	Summary	Further information
Operates in attractive markets	<p>Monash Group operates primarily in the Assisted Reproductive Services market in Australia. This market is attractive because of its underlying growth and structure.</p> <p>Growth in the Australian Assisted Reproductive Services market has been underpinned by long-term demographic trends. For example, there has been a growing population of women in the key age group that use Assisted Reproductive Services and an increase of the median age of women giving birth. In addition, there has been growing use of Assisted Reproductive Services as social acceptance, success rates and the range and value of services provided to patients have increased.</p> <p>The Australian Assisted Reproductive Services market includes three large providers (one of which is Monash Group) who provide over 70% of the IVF Cycles and frozen embryo transfers in Australia. In each of Monash Group's key states of Victoria, South Australia and Queensland, it is one of the two largest providers which, together, deliver the majority of Assisted Reproductive Services in those states.</p> <p>Monash Group also operates in the Malaysian Assisted Reproductive Services market where it is experiencing strong growth and believes there exists significant potential to increase the penetration of Assisted Reproductive Services in that market.</p>	Sections 2.4, 2.6, 2.7 and 2.13
A market leader with significant benefits from scale of operations	<p>Monash Group is one of the largest providers of Assisted Reproductive Services in Australia. It delivered approximately 36% of IVF Cycles and frozen embryo transfers in its key Australian markets in 1H FY2014.⁷ The scale of Monash Group's operations provides it with a number of competitive advantages. These include:</p> <ul style="list-style-type: none"> + Quality of science and breadth of service offering + Reputation and availability of Fertility Specialists + Location and accessibility of fertility clinics + Strong sales and marketing capability + Strength of brand 	Section 2.7.2

⁷ Monash Group market share represents the number of Patient Treatments undertaken by Monash Group in Victoria, South Australia, Queensland, Northern Territory and the regional market of Albury, New South Wales based on Medicare Benefit Schedule Item Statistics Reports for items 13200, 13201, 13202 and 13218 and data from Monash Group's Albury IVF business.

1. Investment overview

1.3 Key strengths

Topic	Summary	Further information
A leader in science and innovation	<p>Monash Group's core businesses developed from scientific and medical departments at Monash University and the University of Adelaide. They have had a market leading aptitude for scientific innovation and have been at the forefront of many developments in the field of Assisted Reproductive Services, delivering numerous Australian and world firsts in the fertility services field. This has allowed Monash Group to provide industry leading Assisted Reproductive Services treatments and increase the chances of achieving a clinical pregnancy for patients.</p> <p>Monash Group focuses on scientific and clinical excellence and innovation, as demonstrated through its establishment of the Monash IVF Research and Education Foundation (the 'MREF') which advises on ways in which Monash Group can generate internationally recognised research to drive improvements in clinical practice and outcomes. Research carried out by Monash Group staff and through MREF has assisted Monash Group to improve and refine procedures and protocols, including in relation to blastocyst embryo development (embryos stored for five to six days), PGS/PGD and Monash Group's specific methods of vitrification (an ultra rapid freezing method).</p>	Sections 3.3 and 3.8.1
Asian presence	<p>In 2013, Monash Group expanded internationally through its acquisition of KL Fertility, the second largest fertility clinic in Malaysia. Monash Group's scientific innovations and industry leading Assisted Reproductive Services are available to support the growth of KL Fertility and the services provided to its patients.</p> <p>KL Fertility establishes Monash Group as one of the leading providers of Assisted Reproductive Services in Malaysia, and provides a business through which Monash Group can pursue further expansion in the Asian region.</p> <p>In addition, Monash Group has from time to time established co-operative arrangements with clinics in a number of international locations. Monash Group currently has a co-operative agreement with the International Peace, Maternity and Child Health Hospital in Shanghai, China.</p>	Sections 3.2 and 3.5
Ability to attract and retain Fertility Specialists	<p>Monash Group has a demonstrated track record of attracting, retaining and growing the number of Fertility Specialists that are engaged by its businesses. Monash Group operates with 75 Fertility Specialists.</p> <p>Monash Group's ability to attract, retain and grow the number of Fertility Specialists is underpinned by a number of factors, including:</p> <ul style="list-style-type: none"> + Scientific excellence + Diagnostic, ancillary and ultrasound services + Research activities + Opportunity to work with industry leaders + Operation of CREI training facilities + Flexibility to allow Fertility Specialists to operate their non-IVF practice + Proprietary patient information system + Competitive remuneration 	Section 3.7.1

1. Investment overview

1.3 Key strengths		
Topic	Summary	Further information
Access to multiple growth opportunities	<p>Monash Group is well positioned to continue a number of growth initiatives, including:</p> <ul style="list-style-type: none"> + Growing share in existing markets + Investing in best-in-class science and testing + Expanding its clinic network in Australia + Expanding its Asian business 	Section 3.9
Strong financial track record	<p>Monash Group has a track record of revenue and EBITDA growth, together with strong cash flow generation. EBITDA has grown from \$28.0 million (pro forma FY2011) to \$34.9 million (pro forma FY2013) and is forecast to reach \$45.1 million (FY2015), representing 13% compound annual growth between FY2013 and FY2015. Growth has been driven by:</p> <ul style="list-style-type: none"> + growth in IVF Cycles and frozen embryo transfers; + increase in the range and number of services provided to patients (including diagnostic, ancillary and ultrasound services); + increase in the price of services; and + expansion of clinic network through acquisitions and opening of Monash Group's lower intervention service offering. <p>Monash Group has delivered strong cash flow generation while investing in its business and making acquisitions. Monash Group has had low capital expenditure requirements and modest increases in working capital as the business has grown.</p>	Section 4
Experienced senior management team	<p>Monash Group's management team has considerable experience in the Assisted Reproductive Services market and the broader healthcare industry.</p> <p>The senior management team is led by Mr James Thiedeman, CEO and Managing Director, who has more than 25 years' experience in the healthcare industry.</p> <p>Monash Group's CFO, Mr Rodney Fox, has significant experience in the healthcare, aged care and accounting sectors. Monash Group's broader senior leadership team includes Dr Richard Henshaw (executive Director).</p>	Section 6.2
1.4 Key risks		
Topic	Summary	Further information
Change in Commonwealth Government funding arrangements for Assisted Reproductive Services	<p>There is a risk that the Commonwealth Government changes the funding (including levels, conditions or eligibility requirements) it provides for Assisted Reproductive Services.</p> <p>If the level of reimbursement provided by the Commonwealth Government for Monash Group's services was to be reduced or capped, or eligibility for reimbursement restricted or otherwise adversely changed, Monash Group's patients would face higher out-of-pocket expenses for Assisted Reproductive Services which may cause Monash Group to experience reduced demand for its services, and may adversely impact on the financial performance, market position and prospects of Monash Group.</p> <p>Refer to Section 2.9 for an overview of the Australian industry funding arrangements for Assisted Reproductive Services, as well as potential changes to the current arrangements which were announced in May 2013 and May 2014.</p>	Sections 5.2.1 and 2.9

1. Investment overview

1.4 Key risks		
Topic	Summary	Further information
Inability to recruit and retain Fertility Specialists	<p>There is a risk that Monash Group will be unable to retain its existing Fertility Specialists or attract and employ or engage sufficient new Fertility Specialists.</p> <p>If key Monash Group Fertility Specialists were to leave or cease working for the business, or Monash Group was unable to attract and employ or engage sufficient new Fertility Specialists, Monash Group may experience lower volumes of IVF Cycles and frozen embryo transfers or may not be able to capture market growth or increase market share, which may negatively impact Monash Group's profitability or ability to achieve its growth strategy.</p>	Section 5.2.2
Risk of increased competition	<p>In each of the markets in which Monash Group operates, there is a risk that:</p> <ul style="list-style-type: none"> + existing competitors undertake aggressive marketing campaigns, product innovation or price discounting; + new competitors launch fertility treatments, including Assisted Reproductive Services; + merger and consolidation occurs between existing participants, facilitating greater competition, including for example as a result of their increased scale; and/or + low cost offerings provided by competitors, or Monash Group itself, compete with and attract revenues away from Monash Group's full-service offering. <p>Any of these events may adversely impact on the financial performance, market position and prospects of Monash Group.</p>	Sections 5.2.3 and 3.4.4.2
Risk of reputational damage	<p>There is a risk that certain issues or events (including many of those identified in Section 5), may adversely affect the reputation of Monash Group or its key brands, including through negative publicity.</p> <p>Any factors which diminish Monash Group's reputation may result in Fertility Specialists, scientific staff, key employees and patients ceasing to work for or seek services from Monash Group, may impede Monash Group's ability to compete successfully, may negatively affect its future business strategy, and may adversely impact the financial performance, market position and prospects of Monash Group.</p>	Section 5.2.4
Monash Group may be involved in disputes or litigation	<p>Monash Group may be involved from time to time in disputes or allegations of inadequate service or unsatisfactory clinical outcomes. This may lead to claims of medical malpractice or similar claims and litigation with current or former patients which may be costly to run and, if resolved in a patient's favour, require Monash Group to pay significant damages. It is possible that Monash Group's insurance will be inadequate to cover all claims or losses for which it may be liable. It is also possible that insurance against such losses may not be available to Monash Group in the future on commercially reasonable terms.</p>	Section 5.2.5

1. Investment overview

1.4 Key risks		
Topic	Summary	Further information
Inability to recruit and retain scientific staff	<p>There is a risk that Monash Group will be unable to recruit and retain scientific staff of appropriate skills and qualifications required to offer patients and Fertility Specialists high quality, safe, and efficient clinical services. If Monash Group lost key scientific staff, it may be difficult to recruit replacements with equivalent highly specialised clinical expertise and experience.</p> <p>This may adversely affect the clinical outcomes, the ability of Monash Group to service the demand for Assisted Reproductive Services, or impede the achievements of its research and product development, which in turn may adversely impact on the financial performance, market position and prospects of Monash Group.</p>	Section 5.2.6
Failure to satisfy legislative or regulatory requirements	<p>There is a risk that the regulations imposed on the industry in which Monash Group operates become increasingly more burdensome, requiring Monash Group to dedicate more time and expenditure to ensure compliance with new legislation and/or regulations.</p> <p>A failure by one or more clinics to comply with legislation, regulation or other professional standards and accreditations could result in Monash Group being required to pay fines or suffering other penalties, may have an adverse effect on Monash Group's ability to conduct its business, and may also have an adverse impact on the reputation of Monash Group as a whole.</p>	Section 5.2.7
Damage to relationships with general practitioners and other medical specialists	<p>There is a risk that the retirement or loss of certain Fertility Specialists, scientific staff or other key personnel, the activities of competitors, the introduction of a competing service that is perceived to be superior to the services provided by Monash Group, or other events which impact Monash Group's reputation could adversely affect Monash Group's relationship with general practitioners and other medical specialists. This could affect their behaviour in recommending Monash Group's services or referring patients to Monash Group, which could in turn adversely impact the number of patients treated by Monash Group and adversely impact on its financial performance, market position and prospects.</p>	Section 5.2.8
Other key risks	A number of other key risks are included in Section 5.	Section 5

1. Investment overview

1.5 Key financial metrics

Topic	Summary	Further information																																																																										
What is Monash Group's historical and forecast financial performance?	<table border="1"> <thead> <tr> <th rowspan="2">\$ million</th> <th colspan="3">Pro Forma Historical Results</th> <th>Pro Forma Forecast Results</th> <th colspan="2">Statutory Forecast Results</th> </tr> <tr> <th>FY2011</th> <th>FY2012</th> <th>FY2013</th> <th>FY2014</th> <th>FY2014</th> <th>FY2015</th> </tr> </thead> <tbody> <tr> <td>Total revenue</td> <td>82.5</td> <td>89.8</td> <td>96.3</td> <td>112.1</td> <td>112.1</td> <td>130.3</td> </tr> <tr> <td>EBITDA</td> <td>28.0</td> <td>32.1</td> <td>34.9</td> <td>38.8</td> <td>25.2</td> <td>45.1</td> </tr> <tr> <td>EBIT</td> <td>22.6</td> <td>28.1</td> <td>31.3</td> <td>36.0</td> <td>22.4</td> <td>41.6</td> </tr> <tr> <td>Profit before tax</td> <td>15.8</td> <td>21.7</td> <td>26.1</td> <td>31.5</td> <td>(2.3)</td> <td>37.1</td> </tr> <tr> <td>NPAT</td> <td>11.0</td> <td>15.2</td> <td>18.3</td> <td>22.0</td> <td>4.9</td> <td>26.0</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th rowspan="2">\$ million</th> <th colspan="3">Statutory Historical Results</th> <th rowspan="2"></th> <th colspan="2">Statutory Forecast Results</th> </tr> <tr> <th>FY2011</th> <th>FY2012</th> <th>FY2013</th> <th>FY2014</th> <th>FY2015</th> </tr> </thead> <tbody> <tr> <td>Statutory revenue</td> <td>83.5</td> <td>93.2</td> <td>96.6</td> <td></td> <td>112.1</td> <td>130.3</td> </tr> <tr> <td>Statutory NPAT</td> <td>(18.4)</td> <td>(16.2)</td> <td>(12.7)</td> <td></td> <td>4.9</td> <td>26.0</td> </tr> </tbody> </table> <p>Note:</p> <p>The pro forma historical NPAT is reconciled to the statutory historical NPAT in Section 4.3.3. NPAT is from continuing operations and does not present the NPAT attributable to Monash Group's minority interests (refer to Section 4.2.1).</p> <p>The Financial Information presented above, and in the tables below, contains non-IFRS financial measures and is intended as a summary only and should be read in conjunction with the more detailed discussions of the Financial Information disclosed in Section 4 as well as the risk factors set out in Section 5. Certain financial information included in this Prospectus is described as pro forma for the reasons described in Section 4.2.</p>	\$ million	Pro Forma Historical Results			Pro Forma Forecast Results	Statutory Forecast Results		FY2011	FY2012	FY2013	FY2014	FY2014	FY2015	Total revenue	82.5	89.8	96.3	112.1	112.1	130.3	EBITDA	28.0	32.1	34.9	38.8	25.2	45.1	EBIT	22.6	28.1	31.3	36.0	22.4	41.6	Profit before tax	15.8	21.7	26.1	31.5	(2.3)	37.1	NPAT	11.0	15.2	18.3	22.0	4.9	26.0	\$ million	Statutory Historical Results				Statutory Forecast Results		FY2011	FY2012	FY2013	FY2014	FY2015	Statutory revenue	83.5	93.2	96.6		112.1	130.3	Statutory NPAT	(18.4)	(16.2)	(12.7)		4.9	26.0	Section 4
	\$ million		Pro Forma Historical Results			Pro Forma Forecast Results	Statutory Forecast Results																																																																					
		FY2011	FY2012	FY2013	FY2014	FY2014	FY2015																																																																					
	Total revenue	82.5	89.8	96.3	112.1	112.1	130.3																																																																					
	EBITDA	28.0	32.1	34.9	38.8	25.2	45.1																																																																					
	EBIT	22.6	28.1	31.3	36.0	22.4	41.6																																																																					
	Profit before tax	15.8	21.7	26.1	31.5	(2.3)	37.1																																																																					
	NPAT	11.0	15.2	18.3	22.0	4.9	26.0																																																																					
	\$ million	Statutory Historical Results				Statutory Forecast Results																																																																						
		FY2011	FY2012	FY2013		FY2014	FY2015																																																																					
Statutory revenue	83.5	93.2	96.6		112.1	130.3																																																																						
Statutory NPAT	(18.4)	(16.2)	(12.7)		4.9	26.0																																																																						

1.6 Key Offer statistics

Topic	Summary	Further information	
What are the key Offer statistics?	Offer Price	\$1.85 per Share	Section 7 and 'Offer statistics' on page 3
	Total number of Shares offered to investors under the Offer	170.7 million	
	Total number of Shares held by Existing Owners on Completion ⁽¹⁾	60.3 million	
	Total number of Shares on issue on Completion	231.1 million	
	Amount to be raised under the Offer	\$315.9 million	
	Market capitalisation at the Offer Price ⁽²⁾	\$427.5 million	
	Pro forma net debt on Completion	\$95.0 million	
	Enterprise Value ⁽³⁾ on Completion	\$522.5 million	
Notes:			
(1)	39.2 million of these Shares will be subject to voluntary escrow arrangements as described in Section 6.5.		
(2)	Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on issue on Completion.		
(3)	Enterprise Value is equal to the sum of the market capitalisation of the Company and the expected net debt on Completion.		

1. Investment overview

1.6 Key Offer statistics			
Topic	Summary	Further information	
What are the key investment metrics?	Enterprise Value/Pro forma FY2014 forecast EBITDA (times) ⁽¹⁾	13.5x	Section 4 and 'Offer statistics' on page 3
	Enterprise Value/Pro forma FY2015 forecast EBITDA (times) ⁽¹⁾	11.6x	
	Enterprise Value/Pro forma FY2014 forecast EBIT (times) ⁽¹⁾	14.5x	
	Enterprise Value/Pro forma FY2015 forecast EBIT (times) ⁽¹⁾	12.6x	
	Offer Price/Pro forma FY2014 forecast NPAT per Share (times) ^{(1),(2)}	19.4x	
	Offer Price/Pro forma FY2015 forecast NPAT per Share (times) ^{(1),(2)}	16.4x	
	Indicative FY2015 forecast dividend yield at the Offer Price (based on the target dividend payout ratio of 65% and statutory FY2015 forecast NPAT) ^{(1),(3)}	4.0%	
	Notes: (1) The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4.7 and Appendix A, and is subject to the key risks set out in Section 5. There is no guarantee that forecasts will be achieved. Certain Financial Information included in this Prospectus is described as pro forma for the reasons described in Section 4.2. FY2014 Statutory EBITDA, EBIT and NPAT include \$11.7 million of IPO transaction costs. (2) This ratio is commonly referred to as a price to earnings, or PE, ratio. A PE ratio is a company's share price divided by its earnings per share. (3) Indicative dividend yield is calculated as the implied dividend per Share based on the target dividend payout ratio of 65% and statutory FY2015 forecast NPAT, divided by the Offer Price. It is the Directors' current intention to target a payout ratio of 65% of statutory NPAT in FY2015. However, the payment of a dividend by Monash Group is at the discretion of the Directors and will be a function of a number of factors the Directors may consider relevant. For more information on Monash Group's dividend policy, see Section 4.9.		
What is Monash Group's dividend policy?	<p>No dividend will be paid following Completion in respect of FY2014.</p> <p>Depending on available profits and the financial position of Monash Group, it is the current intention of the Directors to pay interim dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. It is intended that all future dividends will be franked to the maximum extent possible.</p> <p>It is the Directors' current intention to target a payout ratio of 65% of statutory NPAT in FY2015.</p> <p>Beyond FY2015, the Directors intend to target a payout ratio of between 60% and 70% of statutory NPAT. The level of payout ratio is expected to vary between periods depending on the factors outlined in Section 4.9 and, in particular, should strategic growth, acquisition or investment opportunities arise, it may result in a payout ratio in the future that is less than the above target.</p> <p>No assurances can be given by any person, including the Directors, about the payment of any dividend or the level of franking on any such dividend.</p>	Section 4.9	

1. Investment overview

1.7 Monash Group Directors and key executives

Topic	Summary	Further information
Who are the Directors and senior management of Monash Group?	<p>Directors</p> <ul style="list-style-type: none"> + Mr Richard Davis (independent Chairman) + Mr Benjamin ('James') Thiedeman (CEO and Managing Director) + Dr Richard Henshaw (executive Director) + Mr Josef Czyzewski (independent non-executive Director) + Ms Christina ('Christy') Boyce (independent non-executive Director) + Mr Neil Broekhuizen (non-executive Director) <p>Senior management</p> <ul style="list-style-type: none"> + Mr Benjamin ('James') Thiedeman (CEO and Managing Director) + Mr Rodney Fox (CFO) + Dr Richard Henshaw (executive Director) 	Sections 6.1 and 6.2

1.8 Significant interests of key people and related party transactions

Topic	Summary	Further information																																														
Who are the Existing Owners and what will be their interest in Monash Group on Completion?	<table border="1"> <thead> <tr> <th rowspan="2"></th> <th rowspan="2">Pre-Completion Interest⁽¹⁾</th> <th colspan="2">Cash paid/ (received) under the Offer and Pre-IPO Dividend</th> <th colspan="2">On Completion</th> </tr> <tr> <th>\$ million</th> <th>\$ million</th> <th>Shares (million)</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Doctors</td> <td>25.8%</td> <td>(17.3)</td> <td>78.4</td> <td>42.4</td> <td>18.3%</td> </tr> <tr> <td>Management⁽²⁾</td> <td>1.8%</td> <td>(1.8)</td> <td>4.9</td> <td>2.6</td> <td>1.1%</td> </tr> <tr> <td>Ironbridge Funds</td> <td>51.1%</td> <td>(168.4)</td> <td>21.4</td> <td>11.6</td> <td>5.0%</td> </tr> <tr> <td>Other Existing Owners</td> <td>21.3%</td> <td>(71.9)</td> <td>7.0</td> <td>3.8</td> <td>1.6%</td> </tr> <tr> <td>New Shareholders⁽³⁾</td> <td>–</td> <td>315.9</td> <td>315.9</td> <td>170.7</td> <td>73.9%</td> </tr> <tr> <td>Total</td> <td>100.0%</td> <td></td> <td>427.5⁽⁴⁾</td> <td>231.1</td> <td>100.0%</td> </tr> </tbody> </table> <p>Notes:</p> <ol style="list-style-type: none"> (1) Pre-Completion Interest represents the Existing Owners' interests in Monash Group prior to Completion. See Section 7.1.4 for further information. (2) Management comprises 10 members of management of Monash Group including Mr James Thiedeman (CEO and Managing Director) and Mr Rodney Fox (CFO). James and Rodney will be granted options on or around Completion pursuant to the terms of the Long Term Incentive Plan as set out in Section 6.4.1. See Sections 6.3.1 and 6.3.2 for further information about Dr Richard Henshaw (executive Director), James and Rodney's interests. (3) This includes 170,270 Shares which the non-executive Directors are expected to acquire under the Offer, as further described in Section 6.3.1.7. (4) Equal to market capitalisation at the Offer Price, calculated as the Offer Price multiplied by the total number of Shares on issue on Completion. <p>The Directors do not expect any Shareholder to control the Company on Completion.</p>		Pre-Completion Interest ⁽¹⁾	Cash paid/ (received) under the Offer and Pre-IPO Dividend		On Completion		\$ million	\$ million	Shares (million)	%	Doctors	25.8%	(17.3)	78.4	42.4	18.3%	Management ⁽²⁾	1.8%	(1.8)	4.9	2.6	1.1%	Ironbridge Funds	51.1%	(168.4)	21.4	11.6	5.0%	Other Existing Owners	21.3%	(71.9)	7.0	3.8	1.6%	New Shareholders ⁽³⁾	–	315.9	315.9	170.7	73.9%	Total	100.0%		427.5⁽⁴⁾	231.1	100.0%	Section 7.1.4
	Pre-Completion Interest ⁽¹⁾			Cash paid/ (received) under the Offer and Pre-IPO Dividend		On Completion																																										
		\$ million	\$ million	Shares (million)	%																																											
Doctors	25.8%	(17.3)	78.4	42.4	18.3%																																											
Management ⁽²⁾	1.8%	(1.8)	4.9	2.6	1.1%																																											
Ironbridge Funds	51.1%	(168.4)	21.4	11.6	5.0%																																											
Other Existing Owners	21.3%	(71.9)	7.0	3.8	1.6%																																											
New Shareholders ⁽³⁾	–	315.9	315.9	170.7	73.9%																																											
Total	100.0%		427.5⁽⁴⁾	231.1	100.0%																																											

1. Investment overview

1.8 Significant interests of key people and related party transactions

Topic	Summary	Further information																		
<p>What are the escrow arrangements?</p>	<p>Existing Owners referred to below have agreed to enter into voluntary escrow arrangements in relation to certain of the Shares they will hold in the Company on Completion.</p> <table border="1" data-bbox="488 562 1273 842"> <thead> <tr> <th></th> <th>Number of Shares subject to escrow on Completion (million)</th> <th>Escrowed Shares (as a % of Shares on issue on Completion)</th> </tr> </thead> <tbody> <tr> <td>Doctors⁽¹⁾</td> <td>25.9</td> <td>11.2%</td> </tr> <tr> <td>Management⁽²⁾</td> <td>1.8</td> <td>0.8%</td> </tr> <tr> <td>Ironbridge Funds</td> <td>11.6</td> <td>5.0%</td> </tr> <tr> <td>Other Existing Owners</td> <td>–</td> <td>–%</td> </tr> <tr> <td>Total</td> <td>39.2</td> <td>17.0%</td> </tr> </tbody> </table> <p>Notes:</p> <p>(1) Includes 1.3 million Shares subject to escrow to be held by Dr Richard Henshaw (executive Director).</p> <p>(2) Includes 0.9 million Shares subject to escrow to be held by James Thiedeman (CEO and Managing Director) and 0.1 million Shares subject to escrow to be held by Rodney Fox (CFO).</p> <p>Doctors</p> <p>Shares equivalent to 50% of a Doctor's Pre-Completion Interest will be subject to escrow as follows:</p> <ul style="list-style-type: none"> + 10% will be held in short-term escrow as follows: <ul style="list-style-type: none"> – 3.33% released on the first trading day following Monash Group's release of its preliminary final report for FY2015; – 3.33% released on the first trading day following Monash Group's release of its preliminary final report for FY2016; and – 3.33% released on the first trading day following Monash Group's release of its preliminary final report for FY2017. <p>Shares held in short-term escrow will be released where the Doctor becomes a 'good leaver' (refer to Section 6.5 for definition of 'good leaver').</p> + 20% will be released when the Doctor reaches the age of 63. These Shares may otherwise be released from escrow in the following circumstances: <ul style="list-style-type: none"> – for a Doctor who is aged 63 or older at the time of Completion or who turns 63 within two years of Completion, Shares will be released from escrow on the second anniversary of Completion; – where a Doctor becomes a 'relocated leaver' (refer to Section 6.5 for definition of 'relocated leaver'), Shares will be released from escrow five years after the date they become a 'relocated leaver'; – where a Doctor dies or leaves Monash Group as a result of becoming permanently or seriously disabled, these Shares will be released from escrow on the date of the relevant occurrence (as resolved by the Board acting reasonably); or – if the Board determines to release the Shares from escrow earlier. 		Number of Shares subject to escrow on Completion (million)	Escrowed Shares (as a % of Shares on issue on Completion)	Doctors ⁽¹⁾	25.9	11.2%	Management ⁽²⁾	1.8	0.8%	Ironbridge Funds	11.6	5.0%	Other Existing Owners	–	–%	Total	39.2	17.0%	<p>Section 6.5</p>
	Number of Shares subject to escrow on Completion (million)	Escrowed Shares (as a % of Shares on issue on Completion)																		
Doctors ⁽¹⁾	25.9	11.2%																		
Management ⁽²⁾	1.8	0.8%																		
Ironbridge Funds	11.6	5.0%																		
Other Existing Owners	–	–%																		
Total	39.2	17.0%																		

1. Investment overview

1.8 Significant interests of key people and related party transactions

Topic	Summary	Further information															
What are the escrow arrangements? (continued)	<p>+ 20% will be released:</p> <ul style="list-style-type: none"> – on retirement by the Doctor from the Assisted Reproductive Services industry (subject to certain conditions); or – if the Doctor becomes a ‘good leaver’ or a ‘relocated leaver’; or – five years after the Doctor leaves Monash Group in other circumstances. <p>Management</p> <p>Shares equivalent to 50% of a member of management’s Pre-Completion Interest will be subject to escrow until the first trading day in Shares following announcement to ASX by Monash Group of its preliminary final report for FY2015.</p> <p>Ironbridge</p> <p>All Shares held on Completion by the Ironbridge Funds will be subject to escrow until the first trading day in Shares following announcement to ASX by Monash Group of its preliminary final report for FY2015.</p> <p>Other</p> <p>Other terms affecting escrowed Shares, including circumstances when those shares may be released early from these escrow requirements, are described in Section 6.5.</p>	Section 6.5															
Significant benefits and interests payable to Directors and other persons	<table border="1"> <thead> <tr> <th>Key people</th> <th>Interest or benefit</th> <th>For more information</th> </tr> </thead> <tbody> <tr> <td>Directors⁽¹⁾</td> <td>Directors’ fees and remuneration</td> <td>Section 6.3.1</td> </tr> <tr> <td>Management</td> <td>+ Remuneration + Participation in LTIP</td> <td>Section 6.3.2 Section 6.4</td> </tr> <tr> <td>Advisers and other service providers</td> <td>Fees for services</td> <td>Section 6.3.3</td> </tr> <tr> <td>Ironbridge Capital⁽¹⁾</td> <td>Fees for services</td> <td>Section 6.7.2</td> </tr> </tbody> </table> <p>Note: (1) Neil Broekhuizen, non-executive Director, has an indirect interest in, and is a director of, Ironbridge Capital, which will receive fees as described in Section 6.7.2. Neil also has an indirect interest in Shares held by the Ironbridge Funds.</p>	Key people	Interest or benefit	For more information	Directors ⁽¹⁾	Directors’ fees and remuneration	Section 6.3.1	Management	+ Remuneration + Participation in LTIP	Section 6.3.2 Section 6.4	Advisers and other service providers	Fees for services	Section 6.3.3	Ironbridge Capital ⁽¹⁾	Fees for services	Section 6.7.2	Sections 6.3, 6.4 and 6.7.2
Key people	Interest or benefit	For more information															
Directors ⁽¹⁾	Directors’ fees and remuneration	Section 6.3.1															
Management	+ Remuneration + Participation in LTIP	Section 6.3.2 Section 6.4															
Advisers and other service providers	Fees for services	Section 6.3.3															
Ironbridge Capital ⁽¹⁾	Fees for services	Section 6.7.2															
Other interests, benefits and related party transactions	Fees paid or payable to Ironbridge Capital in connection with services provided to Monash Group prior to Completion are described in Section 6.7.2.	Section 6.7.2															

1. Investment overview

1.9 Proposed use of funds and key terms and conditions of the Offer		
Topic	Summary	Further information
Who is the issuer of the Prospectus?	Monash IVF Group Limited (ACN 169 302 309), a company registered in Victoria.	
What is the Offer?	The Offer is an initial public offering of 170.7 million Shares to be issued at the offer price of \$1.85 per Share to raise a total of \$315.9 million.	Section 7
What is the proposed use of funds raised pursuant to the Offer?	<p>Cash proceeds received for the issue of Shares under the Offer will be used to fund:</p> <ul style="list-style-type: none"> + payments to Existing Owners as part consideration for the acquisition of the Existing Securities in the current holding company of Monash Group; and + the part repayment of existing bank debt and associated hedges, and to pay costs of the Offer. <p>Shares will also be issued to the Existing Owners as part consideration for the acquisition of the Existing Securities in the current holding company of Monash Group.</p>	Sections 7.1.1 and 7.1.3
What will happen as part of Completion?	<p>The Company will:</p> <ul style="list-style-type: none"> + acquire the Existing Securities in the current holding company of Monash Group from the Existing Owners by completing the acquisition of all the Existing Securities under the Sale Deeds. This includes paying part of the cash proceeds of the Offer to Existing Owners, and issuing Shares to Existing Owners, as consideration for the acquisition; and + issue Shares to investors under the Offer. <p>The Company will also undertake other ancillary steps including completing an agreement to acquire remaining shares in KL Fertility and pay costs of the Offer.</p>	Sections 7.1.1 to 7.1.4 and 9
Will the Shares be quoted?	The Company has applied for admission to the Official List and quotation of Shares on ASX under the code 'MVF'. Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all application monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.2
How is the Offer structured?	<p>The Offer will comprise:</p> <ul style="list-style-type: none"> + the Broker Firm Offer; + the Priority Offer; and + the Institutional Offer. <p>No general public offer of Shares will be made under the Offer.</p>	Sections 7.3, 7.4 and 7.5
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Joint Lead Managers.	Section 7.6

1. Investment overview

1.9 Proposed use of funds and key terms and conditions of the Offer

Topic	Summary	Further information
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer was determined by the Joint Lead Managers and the Company.</p> <p>For applicants under the Broker Firm Offer, it will be a matter for Brokers as to who they allocate firm stock among their retail investors.</p> <p>Priority Offer allocations will be determined by the Company, in consultation with the Joint Lead Managers, subject to guaranteed minimum allocations for applicants under the Priority Offer.</p> <p>Institutional Offer allocations were determined by the Joint Lead Managers in consultation with the Company.</p>	Sections 7.3.6, 7.4.6 and 7.5.2
Is there any brokerage, commission or stamp duty payable by applicants?	No brokerage, commission or stamp duty is payable by applicants on acquisition of Shares under the Offer.	Section 7.2
What are the tax implications of investing in the Shares?	<p>Given that the taxation consequences of an investment will depend upon the investor's particular circumstances, it is the obligation of the investors to make their own enquiries concerning the taxation consequences of an investment in Monash Group.</p> <p>If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser.</p> <p>An overview of the tax treatment for Australian resident investors is included in Section 9.7.</p>	Section 9.7
How can I apply for Shares?	<p>You may apply for Shares under the Offer by completing a valid Application Form attached to or accompanying this Prospectus or available online for applicants in Australia at www.monashivfgroup.com.au.</p> <p>Applicants under the Broker Firm Offer should complete a Broker Firm Application Form and follow the instructions of their Broker.</p> <p>Applicants under the Priority Offer should complete an online Priority Offer Application Form.</p> <p>To the extent permitted by law, an application under the Offer is irrevocable.</p>	Sections 7.3.2 and 7.4.2
When will I receive confirmation that my application has been successful?	Confirmations of successful applications in the form of holding statements are expected to be mailed on or around 27 June 2014.	'Key dates' on page 3
Can the Offer be withdrawn?	<p>The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful applicants.</p> <p>If the Offer does not proceed, application monies will be refunded.</p> <p>No interest will be paid on any application monies refunded as a result of the withdrawal of the Offer.</p>	Section 7.8
Where can I find out more information about this Prospectus or the Offer?	<p>Call the Monash Group Offer Information Line on 1800 063 366 from 8.30am to 5.30pm (Sydney time), Monday to Friday (Business Days only).</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Monash Group is a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.</p>	Section 7.2



2. Industry overview

2. Industry overview

2.1 Introduction

Monash Group primarily operates in the Assisted Reproductive Services, including specialised diagnostics, and ultrasound markets in Australia and Malaysia. This Section sets out details on the key features, size, growth drivers, competitive landscape, and other relevant aspects of the markets in which Monash Group operates.

2.2 Overview of Assisted Reproductive Services

Assisted Reproductive Services encompass a range of techniques used to assist patients experiencing infertility to achieve a clinical pregnancy. The Australian Assisted Reproductive Services market consists of four core services supported by diagnostic services and a number of ancillary services:

Service	Description	Example pricing ⁽¹⁾ (per procedure)
In-vitro fertilisation cycle ('IVF Cycle')	An IVF Cycle involves retrieving eggs from a woman at the point of maturation and fertilising these in a laboratory to form a cleavage embryo (stored for two to three days) or blastocyst embryo (stored for five to six days) before transferring the embryo into the woman's uterus.	\$6,000 – \$9,000
Intracytoplasmic sperm injection	Intracytoplasmic sperm injection is a variation of IVF where a single sperm is inserted directly into the egg.	\$6,500 – \$9,500 (including IVF)
Frozen embryo transfer	A frozen embryo transfer involves freezing and storing embryos to use at a later date. When required, a frozen embryo is thawed and transferred into the uterus or cervix.	\$2,800 – \$3,500
Intrauterine insemination and donor insemination	Intrauterine insemination is a process of artificial insemination and is a less invasive alternative to an IVF Cycle. Donor insemination involves the use of sperm from a volunteer donor to achieve a pregnancy.	\$2,000 – \$2,500
Diagnostic	Pre-implantation genetic diagnosis ('PGD') and pre-implantation genetic screening ('PGS') enable the genetic status of an embryo to be determined before a pregnancy is established. PGD involves screening IVF generated embryos for specific genetic conditions prior to embryo transfer. PGS involves screening IVF generated embryos for chromosomal abnormalities prior to embryo transfer, which is typically a service offered in instances of repeat miscarriage or after several unsuccessful IVF Cycles. Non-invasive pre-natal testing ('NIPT') is another common diagnostics service and involves a blood test which is able to offer pregnant women an early opinion on the risk of carrying a fetus with common genetic conditions, including Down Syndrome and Edwards Syndrome. Refer to Section 2.11 for further information.	PGD: \$3,500 – \$4,500 PGS: \$250 – \$600 per embryo NIPT: \$550 – \$600

Note:

(1) Example pricing for private fertility clinics in Australia. Actual prices charged may be above or below this range. Refer to Section 2.9 for a discussion on the funding arrangements for Assisted Reproductive Services.

2. Industry overview

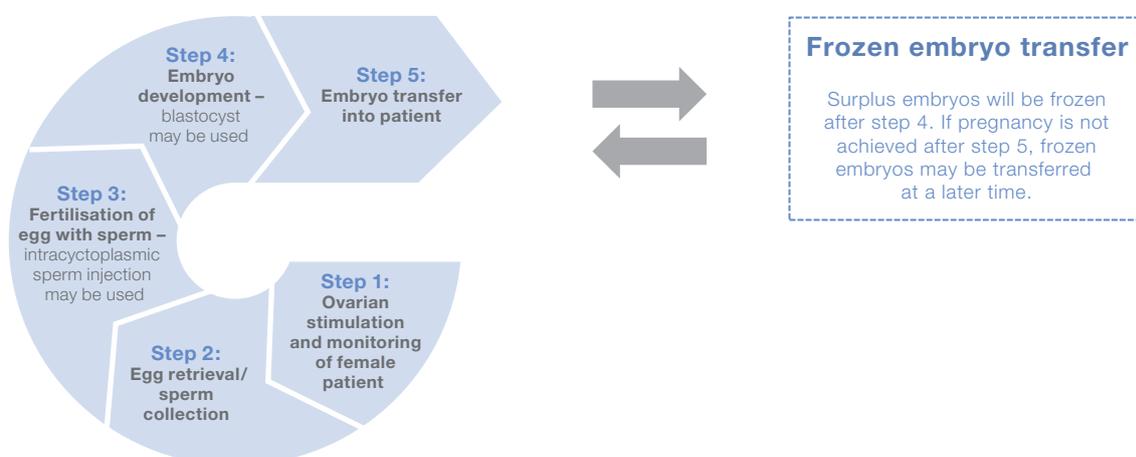
Service	Description	Example pricing ⁽¹⁾ (per procedure)
Ancillary services	<p>Ancillary treatments can be either a substitute or complementary to the core services, and include:</p> <ul style="list-style-type: none"> + artificial insemination: a clinical process where human sperm is introduced/inserted into the uterus or cervix of a woman; + ovulation induction: stimulation of the ovaries resulting in the production of multiple eggs in one menstrual cycle; + reproductive hormone tests: testing of hormones in females to determine the cause of infertility; + pregnancy blood tests: taking of blood to determine if a woman is pregnant; + cryopreservation of gamete material for medical or social reasons: freezing of eggs, sperm or embryos; + testicular biopsies: surgery to remove a piece of tissue from the testicles for examination; + donor programs: donation of eggs, sperm or embryos; + comprehensive sperm analysis: analysis of sperm for infertility; + testicular/epididymal extraction of sperm: procedure performed to obtain sperm from men who produce sperm but are unable to ejaculate; + vasectomy reversal; + support and counselling; and + provision of day hospital facilities: typical procedures include egg pick-up and embryo transfer. 	Variable

Note:

(1) Example pricing for private fertility clinics in Australia. Actual prices charged may be above or below this range. Refer to Section 2.9 for a discussion on the funding arrangements for Assisted Reproductive Services.

An IVF Cycle is the most common Assisted Reproductive Services treatment. A summary of the key steps in an IVF Cycle is outlined in the following diagram:

Diagram 1 IVF Cycle



2. Industry overview

2.3 Size of the Assisted Reproductive Services market in Australia

Australia is one of the largest Assisted Reproductive Services markets globally by absolute number of IVF Cycles and frozen embryo transfers. In 2011, 11,148 babies were born as a result of Assisted Reproductive Services in Australia, representing approximately 3.7% of all births.⁸

Within the Assisted Reproductive Services market, the majority of revenue is generated directly from IVF Cycles and frozen embryo transfers (together referred to as 'Patient Treatments'). In 2013, 40,649 IVF Cycles and 24,911 frozen embryo transfers were performed in Australia.⁹ Monash Group estimates that the Assisted Reproductive Services industry in Australia generated revenue of approximately \$370 million in FY2013.

Refer to Section 2.13 for a discussion on the Malaysian Assisted Reproductive Services market.

2.4 Drivers of growth in the Australian Assisted Reproductive Services market

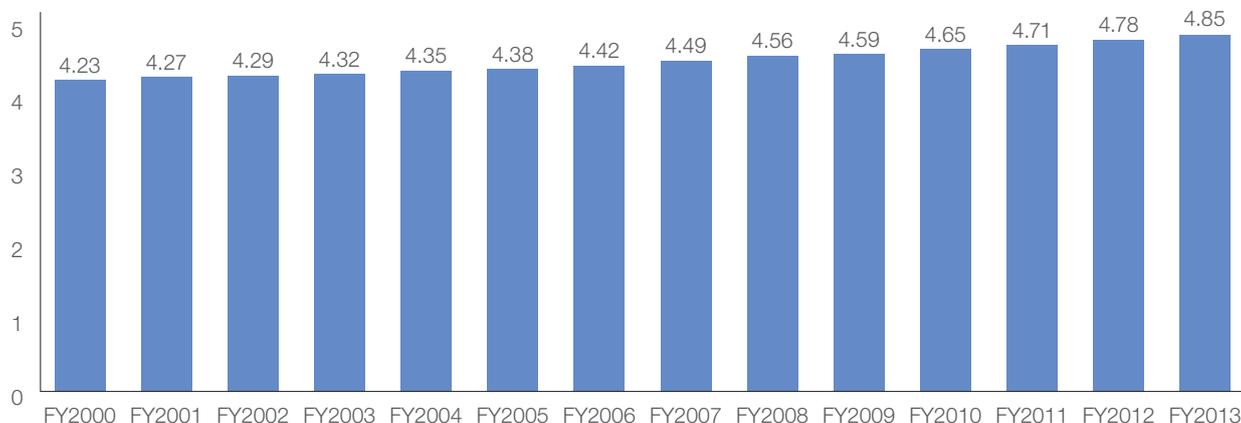
2.4.1 Growth in Patient Treatments

2.4.1.1 Growing number of women within key age group

Assisted Reproductive Services are predominantly provided to women aged 30 to 44. In 2011, 97% of IVF Cycles were undertaken by women under the age of 45, with the majority undertaken by women between the ages of 30 and 44.¹⁰ Between FY2000 and FY2013, the number of Australian women aged 25 to 54 grew at a compound annual growth rate ('CAGR') of 1.1%.¹¹ Between FY2013 and FY2018, this number is expected to grow at a CAGR of 1.4%.¹²

Chart 1 Growth in population of Assisted Reproductive Services target customers

Female population (millions) aged 25 to 54, FY2000 – FY2013



Based on 30 June data from the Australian Bureau of Statistics, Australian Demographic Statistics, 2000 – 2013.

⁸ Based on data from the Australian Institute of Health and Welfare, Assisted Reproductive Technology in Australia and New Zealand Report, 2011 and the Australian Bureau of Statistics, Births, Australia, 2011.

⁹ Based on data from the Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201, 13202 and 13218 for the 12 months ended 31 December 2013.

¹⁰ Australian Institute of Health and Welfare, Assisted Reproductive Technology in Australia and New Zealand Report, 2011.

¹¹ Based on data from the Australian Bureau of Statistics, Australian Demographic Statistics, 2000 – 2013.

¹² Based on data from the Australian Bureau of Statistics, Population Projections, Australia, 2013 – 2018.

2. Industry overview

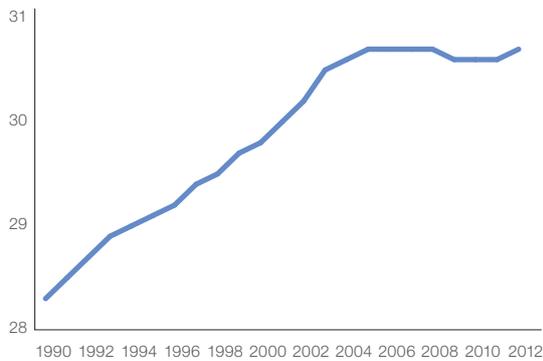
2.4.1.2 Increasing maternal age

The increasing median age of women giving birth has coincided with an increase in the birth rate among women aged over 30 years. Between 2000 and 2012, the median age of women giving birth increased from 29.8 years to 30.7 years.¹³ In the same period, the birth rate among women aged over 30 has increased while the birth rate among women aged under 30 has decreased. These demographic trends have been influenced by a number of factors, including:

- + the continued participation of women in higher education;
- + partners meeting later and marrying later;
- + longer participation of women in the workforce;
- + the increasing cost of living and the importance young Australians place on attaining financial security prior to having children; and
- + improvements in contraception.

Chart 2 Increasing maternal age in Australia

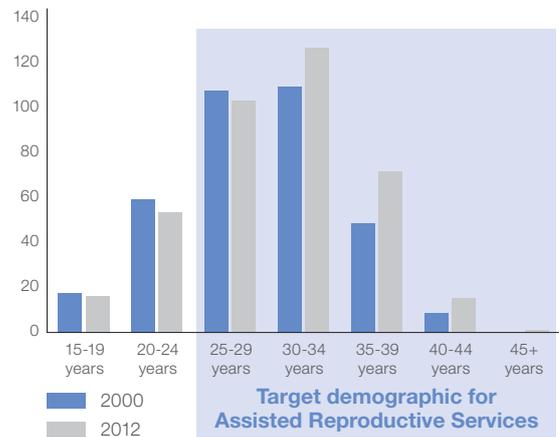
Median age of women giving birth, 1990 – 2012



Based on data from the Australian Bureau of Statistics, Births, Australia, 2000 – 2012.

Chart 3 Age specific fertility rates in Australia

Fertility rate (babies per 1,000 women), 2000 and 2012

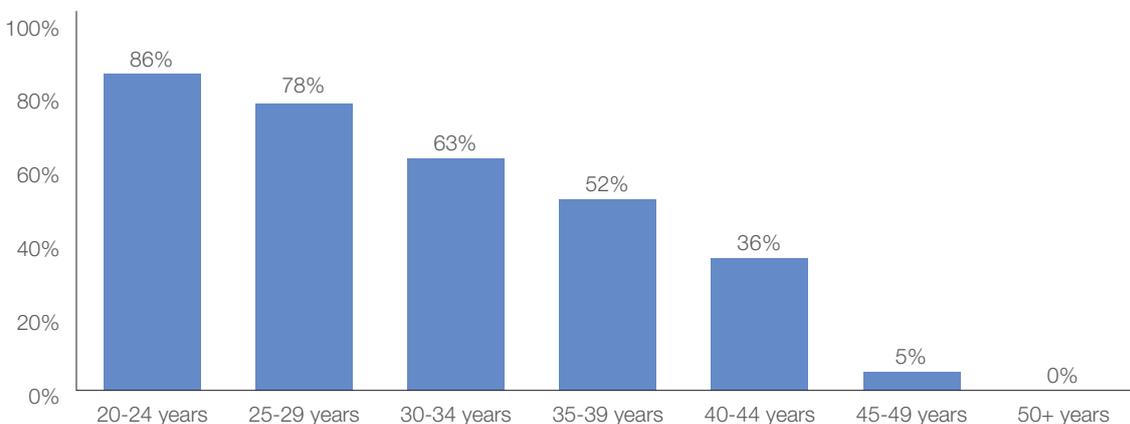


Based on data from the Australian Bureau of Statistics, Births, Australia, 2000 and 2012.

As women age, they typically experience greater difficulties conceiving a child naturally because the number and quality of egg follicles that remain in a woman’s body decline. These women may therefore decide to use Assisted Reproductive Services to assist with conceiving a child.

Chart 4 Rate of natural conception decreases with age

Rate of natural conception by age group over a 12 month period (%)



¹³ Based on data from the Australian Bureau of Statistics, Births, Australia, 2000 and 2012.

2. Industry overview

In Australia, it is estimated that up to one in six couples¹⁴ experience infertility; however, only 3.7% of women who gave birth in 2011 used Assisted Reproductive Services to achieve a clinical pregnancy,¹⁵ which demonstrates the potential for growth in patient numbers.

2.4.1.3 Increasing awareness and social acceptance of Assisted Reproductive Services

Over time, the social awareness and acceptability of infertile married couples using Assisted Reproductive Services has increased. This has also been the case for community support for single women and same sex couples wishing to undertake Assisted Reproductive Services who require the use of donor sperm.¹⁶

Monash Group believes that general practitioners and medical specialists are also becoming more aware of Assisted Reproductive Services and are experiencing an increase in the number of infertile married couples, single women and same sex couples seeking consultations in relation to Assisted Reproductive Services.

2.4.1.4 Improving success rates of Assisted Reproductive Services

Success rates for Patient Treatments have been increasing as a result of improved embryo handling procedures, improved culture media, better cryopreservation and thawing techniques for embryos, and advancements in specialised diagnostic techniques (refer to Section 2.11 for further information). In addition, while success rates have improved, the number of multiple embryo transfers per IVF Cycle has fallen, which minimises the risk of multiple births. These factors combined are helping to make Assisted Reproductive Services a more reliable and safe form of achieving a clinical pregnancy.

Chart 5 Success rates of Assisted Reproductive Services have increased

Clinical pregnancies per embryo transfer cycle (%), 2000 and 2011

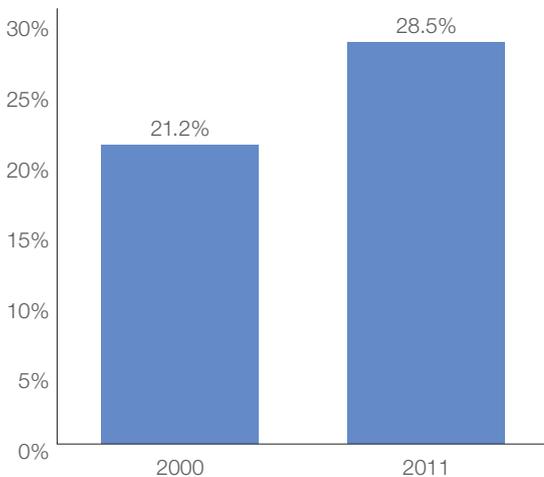
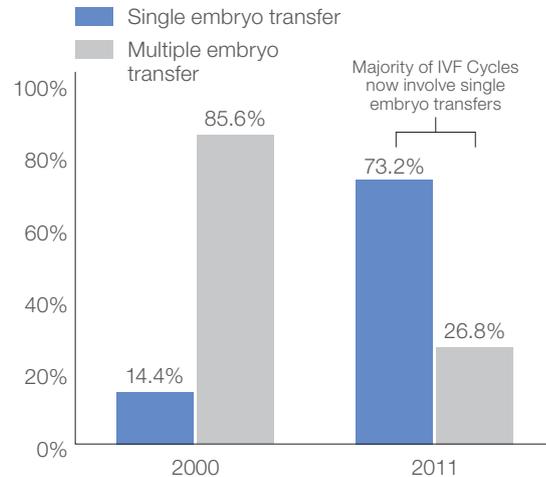


Chart 6 Shift towards single embryo transfers

Proportion of single vs. multiple embryo transfers (%), 2000 and 2011



Calculated by Monash Group from data published by the Australian Institute of Health and Welfare, Assisted Reproductive Technology in Australia and New Zealand Report, 2000 and 2011.

2.4.1.5 Complexities and availability of alternatives

Adoption, which may once have been considered an alternative for people unable to conceive a child naturally, has become significantly less commonplace. There has been a 77% decline in the number of adoptions in Australia over the past 25 years, with only 339 children being adopted in Australia in FY2013.¹⁷

Consequently, Assisted Reproductive Services are the primary means available to patients who want a child, but are unable to conceive naturally.

¹⁴ Fertility Society of Australia (www.fertilitysociety.com.au).

¹⁵ Based on data from the Australian Institute of Health and Welfare, Assisted Reproductive Technology in Australia and New Zealand Report, 2011 and the Australian Bureau of Statistics, Births, Australia, 2011.

¹⁶ Gabor Kovacs, Gary Morgan, Michele Levine and Julian McCrann, 'The Australian community overwhelmingly approves IVF to treat subfertility, with increasing support over three decades', 2012, Australian and New Zealand Journal of Obstetrics and Gynaecology.

¹⁷ Australian Institute of Health and Welfare, Adoptions Australia, 2012 – 2013.

2. Industry overview

2.4.2 Expanding range of services and price rises

The value of services provided in the Assisted Reproductive Services market has been growing as providers of services have increased prices (as has been experienced with many other medical procedures) and expanded the range of services available to patients. The introduction of PGS and PGD, for example, constitutes an important technological advancement in the field of Assisted Reproductive Services and an additional service that is now available to patients.

In addition to the expansion and increase in the price of services, recent growth in frozen embryo transfers and lower-cost service offerings have resulted in lower average revenues per patient but a greater number of patients undertaking services.

2.5 Historic and forecast volume growth in the Australian Assisted Reproductive Services market

The Assisted Reproductive Services market has experienced growth in Patient Treatments since 2000. The growth rate across this period was affected by the introduction of the Extended Medicare Safety Net ('EMSN') program in 2004. This resulted in greater Government support for Assisted Reproductive Services, contributing to higher industry growth rates between 2004 and 2009. In 2009, the Government announced a cap on the amount of EMSN funding for Assisted Reproductive Services, which was implemented in January 2010.

Given the impact of EMSN funding changes, growth in the Assisted Reproductive Services market between 2000 and 2013 can be broken down into four distinct periods, as outlined in the diagram below.

Diagram 2 Historic growth in Patient Treatments

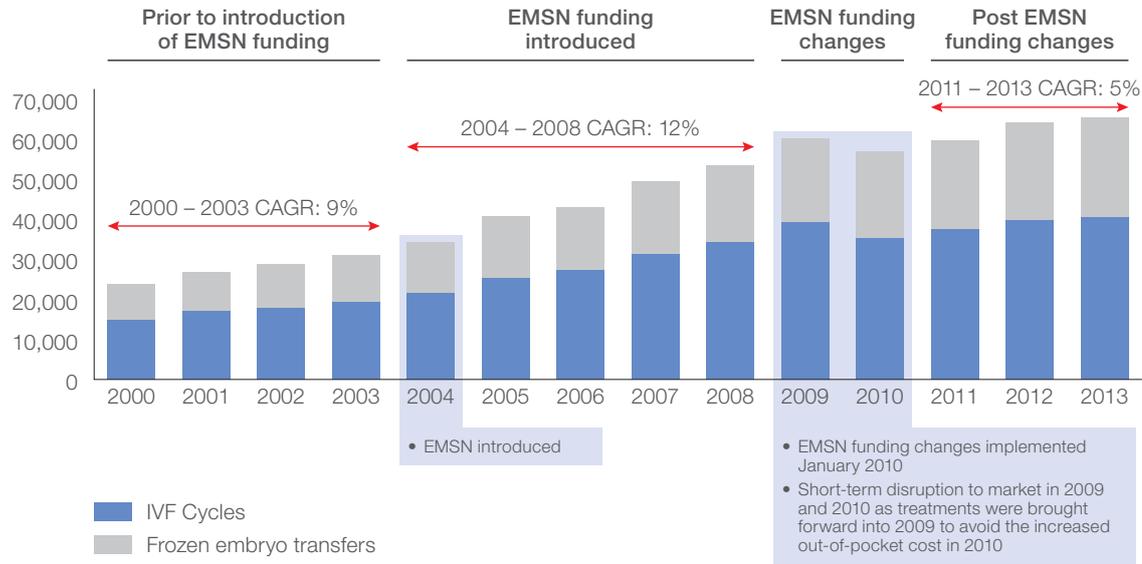
2000 – 2003	Prior to introduction of EMSN funding Number of Patient Treatments grew at a CAGR of 9%
2004 – 2008	March 2004: EMSN program commenced and eligible patients were reimbursed 80% of out-of-pocket payments for Assisted Reproductive Services (refer to Section 2.9.1 for further information) Number of Patient Treatments grew at a CAGR of 12%
2009 – 2010	May 2009: Announcement of caps on the amount of EMSN funding for Assisted Reproductive Services Pre 1 January 2010: Patients undertook more Patient Treatments prior to the implementation of capped EMSN benefits on 1 January 2010 Post 1 January 2010: Patients face higher out-of-pocket expenses and are required to fund the full price of a Patient Treatment before receiving partial reimbursement (previously, patients only had to fund the out-of-pocket component) Number of Patient Treatments increased by 13% in 2009 and subsequently decreased by 6% in 2010
2011 – 2013	Number of Patient Treatments undertaken in Australia returned to growth in 2011 Number of Patient Treatments grew at a CAGR of 5%

2. Industry overview

The historic number of Patient Treatments undertaken in Australia between 2000 and 2013 is displayed in the chart below.

Chart 7 The number of Patient Treatments in Australia has grown at a CAGR of 8.1% between 2000 and 2013

Number of Patient Treatments per year, 2000 – 2013

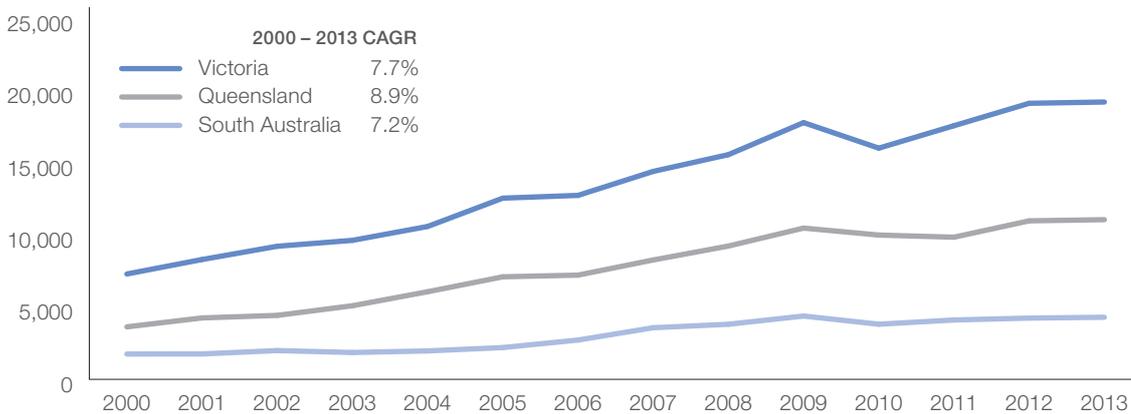


Based on data from Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201, 13202 and 13218.

Within this same timeframe, there has been strong growth in Monash Group’s key markets of Victoria, South Australia and Queensland. Over 2000 to 2013, Monash Group experienced 8.0% CAGR in Patient Treatments in its key markets.

Chart 8 The number of Patient Treatments in Victoria, Queensland and South Australia has grown at a CAGR of 8.0% between 2000 and 2013

Number of Patient Treatments per year, 2000 – 2013



Based on data from Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201, 13202 and 13218.

2. Industry overview

Notwithstanding long-term growth trends, the growth rate in Patient Treatments has historically varied over short-term periods. Variability in individual states over short-term periods may have been attributable to several factors, including changes in local economic conditions, regulatory changes and other factors affecting specific regional markets. For example, the announcement of caps to the amount of EMSN funding for Assisted Reproductive Services in 2009 resulted in patients undertaking more Patient Treatments prior to implementation of the cap, and fewer in the immediate period thereafter.

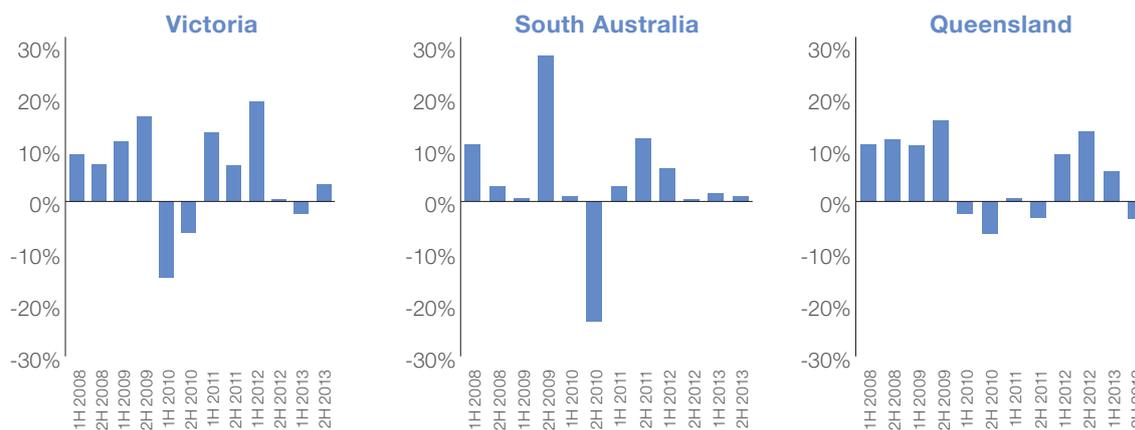
Statistics can also be affected in the short term if there is a delay in the timing of submission to, or processing by, Medicare. For example, the decline in Patient Treatments in South Australia during the second half of 2010 in part reflects services delivered in the first half of 2010 but not processed until the second half of 2010.

Growth rates also tend to fluctuate due to the relatively small number of Patient Treatments that are conducted within each market. Where growth in a short-term period has been below long-term trends, Monash Group has generally seen above trend growth in subsequent periods.

Individual decisions to defer a treatment can be made in the short term, however, cannot be delayed for too long, as age generally has a negative impact on female fertility and a patient's chance of success.

Chart 9 Short-term variability in Patient Treatment volume growth

Patient Treatment volume growth (half year vs. prior corresponding period)



Based on data from Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201, 13202 and 13218.

2.6 Australian regional market structure for Assisted Reproductive Services

Monash Group's experience is that patients do not typically travel far from their place of residence to access Assisted Reproductive Services. Therefore, providers of Assisted Reproductive Services in Australia tend to compete on a regional basis.

The table below summarises the regional market structure for Assisted Reproductive Services in Australia, where Victoria, South Australia, Queensland and the Northern Territory together accounted for 54% of Patient Treatments performed in Australia in 2013.¹⁸

¹⁸ Based on data from Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201, 13202 and 13218 for the 12 months ended 31 December 2013.

2. Industry overview

Table 1 Patient Treatments performed in Australia in 2013

State	% of national Patient Treatments in 2013	Largest market	Key regional markets	Examples of key players
NSW	33.0%	Sydney	Newcastle, Albury, Wollongong, Maitland	Virtus Genea
Vic	29.3%	Melbourne	Geelong, Bendigo, Ballarat, Mildura	Monash Group Virtus
Qld	16.9%	Brisbane	Gold Coast, Toowoomba, Cairns, Mackay, Townsville, Rockhampton	Monash Group Virtus City Fertility Centre
WA	8.7%	Perth	NA	Concept Fertility Centre Fertility Specialists WA
SA	6.6%	Adelaide	NA	Monash Group Fertility SA Flinders Fertility
Tas	2.7%	Hobart	NA	TasIVF
ACT	2.0%	Canberra	NA	ISIS Fertility (25% owned by Monash Group) Canberra Fertility Centre Genea
NT	0.8%	Darwin	NA	Monash Group

% of Patient Treatments in 2013 is based on data from Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201, 13202 and 13218 for the 12 months ended 31 December 2013.

2.7 Competition in Australia for Assisted Reproductive Services

2.7.1 Competitor landscape

The Assisted Reproductive Services market in Australia includes three large providers, Monash Group, Virtus Health and Genea, which together account for over 70% of Australian Patient Treatments. The remainder of the private market is serviced by smaller groups of clinics and individual operators. Monash Group believes that fertility clinic groups of size generally benefit in the competition for Assisted Reproductive Services from advantages arising from the scale of their activities (refer to Section 2.7.2 below).

There are also a few fertility clinics in public hospitals, forming part of publicly funded healthcare services, which account for a very small proportion of the market. Fertility clinics in public hospitals generally provide a lower cost service; however, they do not usually offer patients a choice of Fertility Specialist and there is generally a longer waiting period to access these services compared to private providers like Monash Group. In addition, fertility clinics in public hospitals are generally unable to offer the full range of Assisted Reproductive Services that large, private fertility clinics are able to provide.

2.7.2 Competitive advantages of larger fertility clinic groups

Larger fertility clinic groups have a number of competitive advantages when attracting potential patients, including:

- + **Quality of science and breadth of service offering:** Patients often focus on success rates achieved for other patients when seeking a service provider. Larger fertility clinic groups generally have resources to fund the operation of scientific processes and specialised tests and laboratories, and employ or contract with an experienced workforce that can provide a wide range of advanced services (e.g. PGS and PGD).

2. Industry overview

- + **Reputation and availability of Fertility Specialists:** Patients can be influenced by the reputation and availability of Fertility Specialists. Larger fertility clinic groups have access to a greater number of Fertility Specialists, which may limit waiting times for patients and promote the services of their clinic.
- + **Location and accessibility of fertility clinics:** The Assisted Reproductive Services market is a relatively localised market, and larger fertility clinic groups generally have a broader geographic network of fertility clinics, which are therefore more accessible for patients.
- + **Strong sales and marketing capability:** Patients may be influenced by the marketing activities of a fertility clinic group. These activities generally focus specifically on attracting potential patients to a fertility clinic. An education program often supports those general practitioners and medical specialists who may refer a patient to a particular fertility clinic.
- + **Strength of brand:** Larger fertility clinics have a greater ability to leverage the brand recognition established with general practitioner and specialist referral networks, along with the broader community.

2.8 Fertility Specialists

Fertility Specialists are contracted or employed by fertility clinics to provide the medical component of Assisted Reproductive Services, including providing medical care to patients during an IVF Cycle and performing surgical procedures.

Due to the highly specialised nature of Assisted Reproductive Services and the training required to become a Fertility Specialist (up to 16 years), industry capacity is directly proportional to the number of Fertility Specialists that operate in the Assisted Reproductive Services market. Consequently, fertility clinics rely heavily upon their ability to attract and retain Fertility Specialists.

2.8.1 Education, training and career path for Fertility Specialists

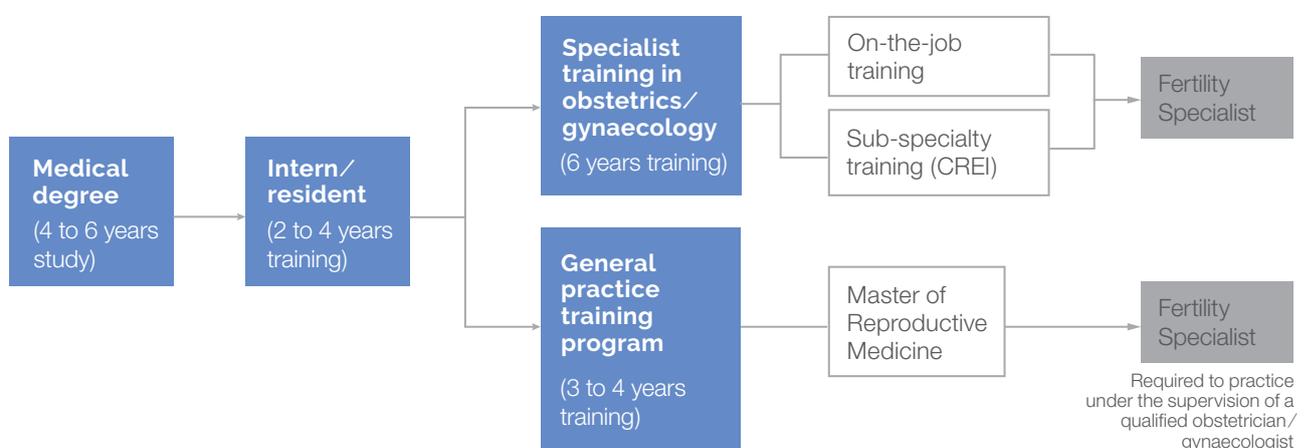
There are two main education, training and career paths towards becoming a Fertility Specialist.

One path involves completing a medical degree at university, training as an obstetrician and gynaecologist and becoming accredited with the Royal Australian and New Zealand College of Obstetricians and Gynaecologists (the 'RANZCOG'). The Fertility Specialist may then sub-specialise and complete a further Certificate in Reproductive Endocrinology and Infertility ('CREI').

The other path involves completing a medical degree at university, becoming qualified as a general practitioner before undertaking a further Master of Reproductive Medicine. Fertility Specialists who are not accredited with the RANZCOG as either an obstetrician or gynaecologist are required to practice under the supervision of a qualified obstetrician or gynaecologist.

The diagram below sets out an example education, training and career path for a Fertility Specialist.

Diagram 3 Example education, training and career path for a Fertility Specialist



2. Industry overview

Many Fertility Specialists begin their career as obstetricians and gynaecologists before moving into the fertility field. There are a number of reasons that specialists may choose to make the switch into fertility, including:

- + **Reduced risk of malpractice:** Obstetrics involves greater malpractice risk than fertility services. This difference is reflected in the premiums for medical malpractice insurance between the two specialties.
- + **Significant research and academic opportunities:** Fertility medicine offers significant research and academic potential for specialists.
- + **Increased flexibility in working arrangements:** Obstetricians can be on call '24 hours a day, 7 days a week', whereas a Fertility Specialist's working hours are generally more predictable, with the majority of appointments taking place between 7.00am and 6.00pm. The relative convenience of fertility work may appeal to doctors with young families as well as older specialists who can work part-time. Fertility Specialists may also be able to practice other fields of medicine (including obstetrics and gynaecology) independently from their Assisted Reproductive Services activities, depending on the specific terms of their employment agreements.

2.9 Australian industry funding arrangements for Assisted Reproductive Services

2.9.1 Government funding

The Commonwealth Government, through the Medicare Benefits Schedule ('MBS') and Extended Medicare Safety Net ('EMSN'), provides eligible patients funding and reimbursement for a substantial part of the cost associated with Assisted Reproductive Services, specialised diagnostics and ultrasound services as set out below. The current arrangements are as follows:

- + **MBS:** Medicare subsidises the cost of certain medical services, including a range of approximately 12 selected services which are relevant to the Assisted Reproductive Services specialty. The MBS specifies a set schedule fee and rebate for each service. Patients are typically entitled to a reimbursement of 75% or 85% of the schedule fee for procedures performed in private clinics. Between 2010 and 2013, the MBS rebate for the main component of an IVF Cycle¹⁹ increased at a compound annual growth rate of 1.3%.²⁰
- + **EMSN:** The EMSN program provides qualifying patients with partial reimbursement for procedures performed in private clinics (i.e. in addition to the set benefit under the MBS as detailed above) where the qualifying patient has incurred out-of-pocket medical expenses of at least the threshold amount in the calendar year.²¹ Once a patient reaches the threshold for out-of-pocket medical expenses, the EMSN program provides a patient reimbursement for the lower of:
 - 80% of the patient's out-of-pocket payment for procedures performed in a private clinic; and
 - a specific capped amount per out-of-hospital service (which applies to Assisted Reproductive Services).

Between 2010 and 2013, the EMSN cap for the main component of an IVF Cycle²² increased at a compound annual growth rate of 2.6%.²³

Potential changes to the current arrangements have been announced in May 2013 and May 2014 by the Commonwealth Government. These potential changes include:

- + **Changes to the threshold amount:** On 14 May 2013, the Commonwealth Government announced a planned increase in the threshold amount under the EMSN program to \$2,000 effective from 1 January 2015. These changes, if implemented, are not currently expected to impact out-of-pocket costs for patients undertaking IVF Cycles or for most frozen embryo transfers at Monash Group's full service clinics. The increase in the threshold would result in a moderate increase in the out-of-pocket cost for patients utilising Monash Group's lower intervention service offering.

¹⁹ The main (and most costly) component of an IVF Cycle for Monash Group is provided under MBS codes 13200 (initial cycle – superovulated treatment cycle proceeding to oocyte retrieval) and 13201 (subsequent cycle – superovulated treatment cycle proceeding to oocyte retrieval).

²⁰ Based on data from Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201 and 13202.

²¹ For the year commencing 1 January 2014, the threshold is \$1,248.70 unless the patient is a concession cardholder or eligible for Family Tax Benefit A (in which case the threshold is \$624.10).

²² The main (and most costly) component of an IVF Cycle for Monash Group is provided under MBS codes 13200 (initial cycle – superovulated treatment cycle proceeding to oocyte retrieval) and 13201 (subsequent cycle – superovulated treatment cycle proceeding to oocyte retrieval).

²³ Based on data from Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201 and 13202.

2. Industry overview

- + **Changes to the Medicare Safety Net arrangements:** On 13 May 2014, the Commonwealth Government announced a plan to replace existing safety net arrangements (such as the EMSN program) with a new Medicare Safety Net effective from 1 January 2016. The new Medicare Safety Net are expected to result in two main changes to the funding arrangements for patients using Monash Group's services. First, the threshold for out-of-pocket medical expenses a patient must incur prior to reimbursement will be reduced to \$1,000 for a family without concessions. Second, the specific capped amount per service currently provided by the EMSN program will be replaced by a total capped reimbursement amount (payable under MBS and new Medicare Safety Net) set at 150% of the MBS schedule fee. The Commonwealth Government needs to pass legislation to implement these changes, and consequently, the exact scope of the arrangements to be implemented has not been published. However, Monash Group does not expect the arrangements (as they understand them) if they were to be implemented today, would have a material impact on its business.
- + **Changes to MBS rebate indexation:** On 13 May 2014, the Commonwealth Government announced a plan to freeze for two years indexed increases in MBS rebates including those applicable to Monash Group's services from 1 July 2014. Monash Group does not expect this change to materially impact its business given historic increases in the MBS rebate have been relatively small.

The table below sets out the current funding arrangements for an IVF Cycle provided by Monash Group. As illustrated in the table, Government funding can contribute up to 57% of the service costs of an IVF Cycle. The table below does not include the private hospital or day facility fees which are normally incurred during an IVF Cycle and are paid directly to the private hospital or day facility. Refer to Section 2.9.2 for further information about the typical additional costs relating to the private hospital or day facility fees.

Table 2 Example funding for an IVF Cycle under the current funding arrangements

Item #	Description	Example total price	Medicare	EMSN	Out-of-pocket
13200	Global fee – initial stimulated cycle	\$7,958	\$3,036	\$1,676	\$3,246
13209	Special planning and management	\$362	\$72	\$11	\$279
13212	Oocyte retrieval	\$533	\$266	–	\$267
13215	Embryo transfer	\$156	\$83	–	\$73
Total		\$9,009	\$3,457	\$1,687	\$3,865
%			38%	19%	43%

Notes:

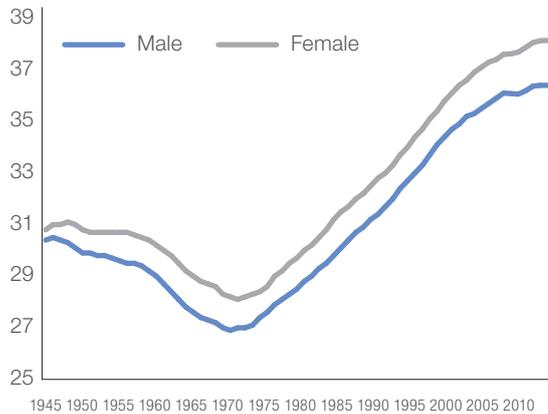
- + Price of a standard IVF Cycle and level of reimbursement from different funding sources captures services provided by Monash Group under the Medicare Benefit Schedule Item numbers 13200, 13209, 13212 and 13215.
- + The example pricing of an IVF Cycle outlined in the table reflects an average of the prices charged by Monash Group for its full-service offering for the specified services.
- + The example reimbursement of costs for an IVF Cycle assumes (a) the patient is a holder of a valid Medicare card; and (b) has received a referral from a general practitioner or medical specialist. The level of EMSN reimbursement also assumes the patient is entitled to the full EMSN benefit.
- + Private hospital or day facility fees, including hospital day surgery (e.g. for egg pick-up and transfer of embryo(s)) and anaesthetist fees, are additional and not illustrated in the table above. Refer to Section 2.9.2 for further detail on private health insurance.

An ageing population and increasing infertility rates are trends being experienced by Australia and many other developed countries (refer to Section 2.4.1). The effect of these trends is that a smaller proportion of the population are of a working age, thereby placing pressure on the Government budget. While levels of Government funding for Assisted Reproductive Services may vary in the future, Monash Group believes there is strong incentive for the Government to continue to fund Assisted Reproductive Services and other population growth initiatives. Funding for Assisted Reproductive Services is a small cost to the Government relative to other Government programs, representing approximately 1.3% of Medicare benefits paid in 2013.

2. Industry overview

Chart 10 Australia's ageing population

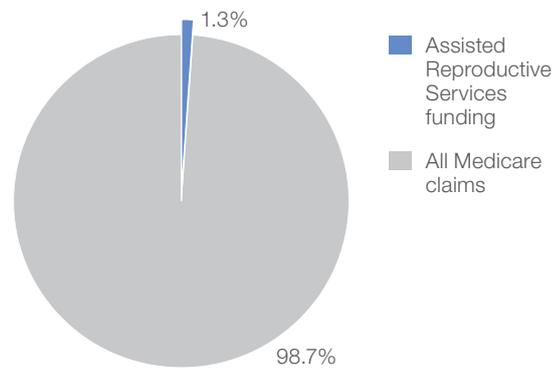
Median age in Australia, 1945 – 2013



Based on data from the Australian Bureau of Statistics, 2013, Australian Demographic Statistics, 2013, and Australian Historical Population Statistics, 2008.

Chart 11: Assisted Reproductive Services funding

Medicare claims paid for Assisted Reproductive Services as a proportion of all Medicare claims in 2013



Based on data from Medicare Benefit Schedule Item Statistic Reports for the 12 months ended 31 December 2013.

2.9.2 Private health insurance

Patients generally require some procedures relating to an IVF Cycle, primarily the egg pick-up and transfer of embryo(s), to be performed in a private hospital or day facility as part of their Assisted Reproductive Services treatment. Private hospital and day facility costs are generally billed by the private hospital or day facility and do not form part of the revenue received for Assisted Reproductive Services. Private hospital and day facility costs are generally covered by private health insurers in full (however, this can vary between private health insurers and the level of cover taken by the patient), reducing the total out-of-pocket costs incurred by patients with private health insurance.

For an uninsured patient, Monash Group estimates that the typical out-of-pocket expense incurred for egg pick-up and embryo implantation procedures performed at a private hospital or day facility ranges between \$1,500 and \$2,000; however, this amount may be lower or higher and can vary depending on the location of the private hospital or day facility.

As at 31 December 2013, approximately 47% of the Australian population had private health insurance coverage.²⁴

The level of private insurance coverage for procedures relating to Assisted Reproductive Services conducted in private hospitals and day facilities will depend upon the particular insurance plan entered into and can differ between private health insurance companies.

²⁴ Private Healthcare Australia.

2. Industry overview

2.10 Australian regulatory and legislative framework for Assisted Reproductive Services

The Australian industry is regulated by a combination of federal committees and accreditation bodies, as well as state legislation. The industry has experienced increased levels of regulation and audit standards as it has developed. If operators do not meet audit and compliance standards, patients will not receive Government reimbursement for performed services.

Table 3 Summary of legislation, guidelines and regulation

Jurisdiction	Federal committees and accreditation bodies	State legislation for Assisted Reproductive Services	State donor and surrogacy laws
NSW	✓	✓	✓
Vic	✓	✓	✓
WA	✓	✓	✓
SA	✓	✓	✓
Qld	✓	✗	✓
ACT	✓	✗	✓
Tas	✓	✗	✓
NT	✓	✗	✗

2.10.1 Federal regulation of Assisted Reproductive Services

The Reproductive Technology Accreditation Committee (the 'RTAC') is the main federal regulatory body and operates under guidelines produced by the National Health and Medical Research Council ('NHMRC'). The RTAC administers a national Code of Practice and a system for the accreditation of Assisted Reproductive Services clinics in Australia. In order to operate within the limitations of the Prohibition of Human Cloning for Reproduction and the Regulation of Human Embryo Research Amendment Act 2006, Assisted Reproductive Services providers must be accredited and adhere to the RTAC's Code of Practice.

Where an Assisted Reproductive Services clinic also has diagnostic testing capabilities, it must maintain compliance with the technical competencies outlined by the National Association of Testing Authorities. Within the diagnostic testing competencies, andrology services must adhere to World Health Organisation testing processes and criteria for semen analysis.

2.10.2 State regulation of Assisted Reproductive Services

State legislation applicable to Assisted Reproductive Services is not uniform across Australia, with only Victoria, South Australia, New South Wales, and Western Australia having enacted legislation and accompanying regulations to stipulate requirements and procedures for donors, research and the establishment of licensing regimes for Assisted Reproductive Services treatment and research.

Other legislative regimes that impact access to Assisted Reproductive Services include those in respect of donor treatment procedures and parentage, medical treatment services, medical research and surrogacy.

2. Industry overview

Table 4 Summary of state based legislation for Assisted Reproductive Services in the States in which Monash Group operates

	Vic	SA	Qld	ACT	NSW	NT
Fertile single women access to Assisted Reproductive Services	✓	(1)	✓	✓	✓	(1)
Access to Assisted Reproductive Services by same sex couples	✓	(1)	✓	✓	✓	(1)
Surrogacy (non-commercial)	✓	✓	✓	✓	✓	✗
Requirement for counselling	✓	✗	✗	✗	✗	✗
Frozen embryo storage limit	5 years	10 years	5 years	5 years	10 years	10 years
Female cryopreservation	10 years	10 years	10 years	10 years	10 years	10 years

Note:

(1) Only available if medically infertile or risk of genetic disease.

2.11 Specialised diagnostics market in Australia

The Australian specialised diagnostics market is a sub-set of the broader Australian diagnostics market. Monash Group operates in a sub-set of the specialised diagnostics market that supports Assisted Reproductive Services.

Revenue and testing volumes generated in specialised diagnostic testing for Assisted Reproductive Services are directly related to the size of the Assisted Reproductive Services market and, in particular, the number of Patient Treatments performed. This is because specialised diagnostic tests are generally undertaken by patients prior to or in conjunction with Patient Treatments.

PGD and PGS are two increasingly common diagnostics services which involve screening IVF generated embryos for genetic conditions prior to embryo transfer. Couples choose PGD and PGS for many reasons, including repeat implantation failure, repeat miscarriage, or the previous diagnosis of a child with a genetic disease. Couples also choose PGD where one or both parents have been diagnosed with a known genetic abnormality.

NIPT is another common diagnostics service and involves a blood test which is able to offer pregnant women an early opinion on the risk of carrying a fetus with common genetic conditions, including Down Syndrome and Edwards Syndrome.

Monash Group believes that the growth drivers for Assisted Reproductive Services discussed in Section 2.3 are also likely to support growth in the specialised diagnostics market for Assisted Reproductive Services.

2. Industry overview

2.12 Ultrasound market in Australia

Ultrasound technology refers to the use of high-frequency sound waves to create images of a person’s internal body structures. Ultrasound technology is used in a variety of clinical settings, and is an important diagnostic tool in Assisted Reproductive Services, obstetrics and gynaecology.

A summary of key ultrasound applications in Assisted Reproductive Services, obstetrics and gynaecology is set out below:

Table 5 Description of key ultrasound applications in Assisted Reproductive Services

Treatment	Description
Gynaecological ultrasound	Ultrasounds performed to assess the anatomy of the uterus, ovaries and other pelvic structures often undertaken for the purposes of diagnosing infertility. May also be undertaken for women experiencing heavy, irregular or infrequent periods, pelvic pain or post-menopausal bleeding or to test for pregnancy.
IVF follicle tracking	Tracking of a woman’s menstrual cycle by vaginal ultrasound scans. This is an important part of the IVF process.
Obstetric ultrasound	Ultrasounds performed to visualise the embryo or fetus in the mother’s uterus. This is undertaken several times during pregnancy.
Pre-eclampsia screening	A pre-eclampsia screening process incorporates the use of Doppler ultrasound of the uterine arteries and assists in the detection of those at a high risk of pre-eclampsia. Pre-eclampsia is a serious pregnancy complication affecting mother and baby.
Invasive genetic testing	Includes ‘chorionic villus sampling’ which collects a small sample of placental tissue and ‘amniocentesis’, which involves inserting a needle into the abdomen and uterine wall to collect a sample of amniotic fluid. Both are used to test for genetic abnormalities. Mostly offered to patients who are at a high risk for chromosome abnormalities. These tests carry a small risk of miscarriage.

Many Assisted Reproductive Services providers across Australia directly provide, or facilitate through a referral process, diagnostic ultrasound services to patients. Ultrasound services for use in obstetrics and gynaecology are generally provided by more specialised ultrasound and radiology clinics staffed by sonologists and sonographers with experience in obstetrics and gynaecology. These clinics have access to the technology and expertise required to provide the full range of services described in the table above.

Monash Group believes that the growth drivers for Assisted Reproductive Services discussed in Section 2.3 are also likely to support growth in the ultrasound market for Assisted Reproductive Services.

2.13 Malaysian Assisted Reproductive Services market

Monash Group began operating in the Malaysian Assisted Reproductive Services market in January 2013 through its acquisition of Kuala Lumpur Fertility and Gynaecology Centre (‘KL Fertility’).

Malaysia has a larger population than Australia, with approximately 5.5 million women aged within Monash Group’s 25 to 54 target age demographic.²⁵ However, the use of Assisted Reproductive Services is low compared to Australia, with only 25 Assisted Reproductive Services providers and an estimated 4,000 IVF Cycles conducted per annum. The provision of Assisted Reproductive Services in Malaysia is still highly fragmented, and there is currently no Government subsidisation of these services. Assisted Reproductive Services clinics in Malaysia are typically single practitioner businesses, with the majority based in Kuala Lumpur and Penang. Prices of Assisted Reproductive Services are lower in Malaysia than in Australia (approximately \$4,000 compared to approximately \$9,000 per IVF Cycle); however, they remain high relative to GDP per capita in Malaysia.

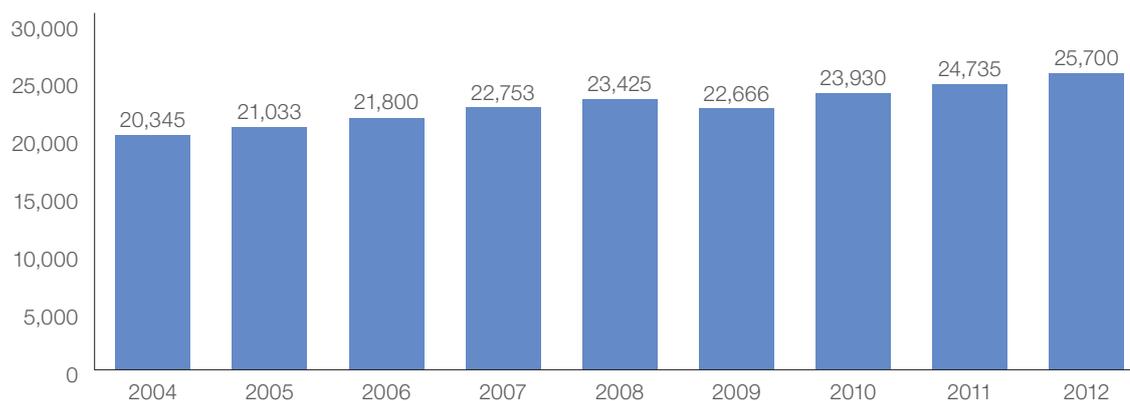
²⁵ Department of Statistics Malaysia, Population and Housing Census of Malaysia, 2010.

2. Industry overview

However, Monash Group believes that the Malaysian market has attractive demographics suited to increasing the penetration of Assisted Reproductive Services. These demographics include declining fertility rates and increasing maternal age, coupled with an increasing economic ability to pay for Assisted Reproductive Services. Malaysia's economy has been growing steadily, with GDP per capita growth of 3.9% in 2012.²⁶ Monash Group believes the lower cost of Assisted Reproductive Services in Malaysia will be a driver of international patients seeking treatment in Malaysia.

Chart 12 Malaysia's GDP per capita (in constant Malaysian Ringgit) has increased by 26% since 2004

Malaysia's GDP per capita in constant Malaysian Ringgit, 2004 – 2012



Based on data from *The World Bank*.

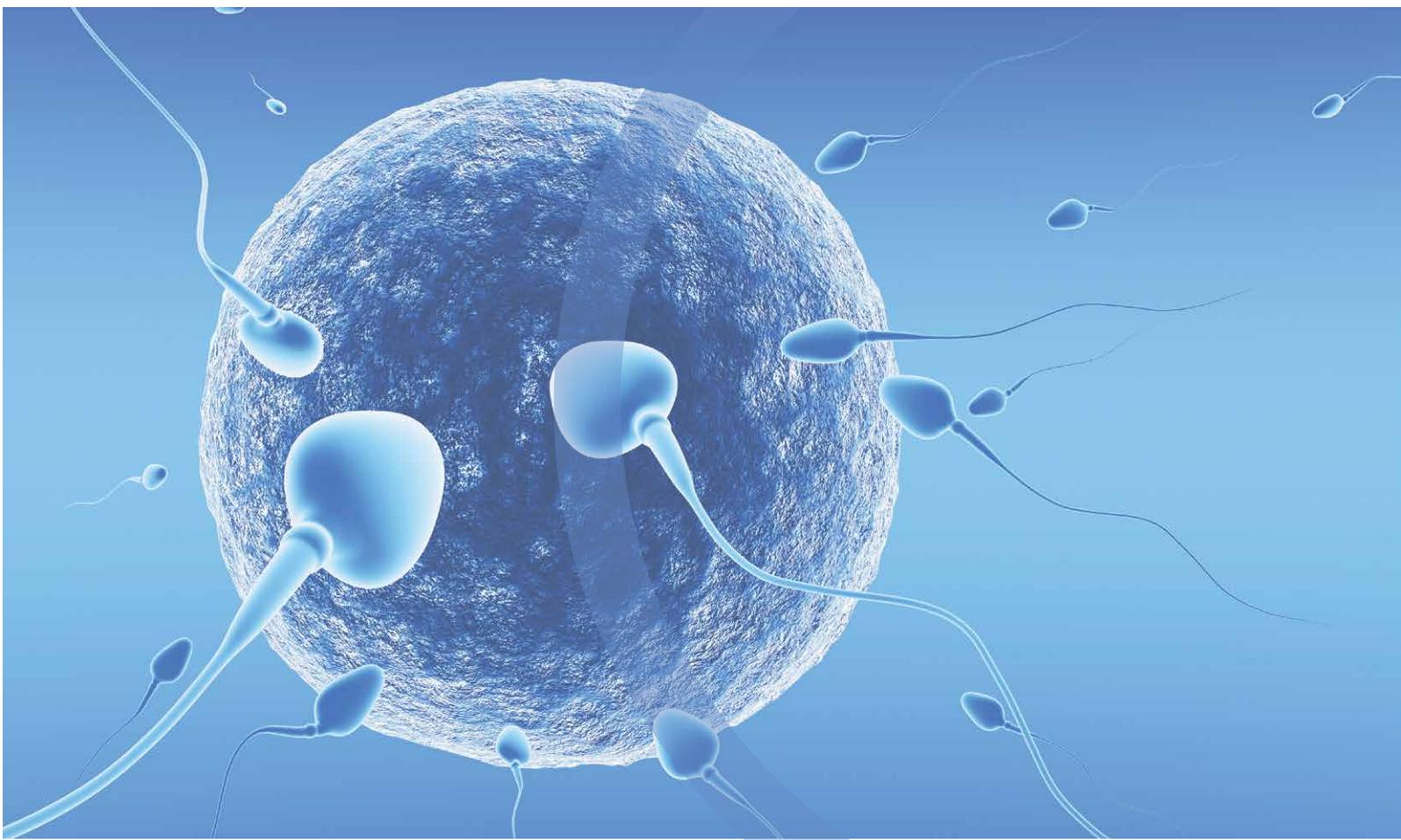
A comparison of key Australian and Malaysian economic and demographic statistics is set out below:

Table 6 Summary of key economic and demographic statistics

	Australia	Malaysia
Population (2013)	23.1 million	29.8 million
Female population (aged 25 – 54)	4.8 million	5.5 million
Total fertility rate (average births per woman, as at 2012)	1.9	2.1
GDP per capita (2012, current US\$)	US\$67,556	US\$10,432
Urban population (%)	89%	73%
Health expenditure per capita (2012, current US\$)	US\$6,140	US\$410

Source: Based on data from the Australian Bureau of Statistics, the Department of Statistics Malaysia and The World Bank.

²⁶ Based on data from The World Bank.



3. Business overview

3. Business overview

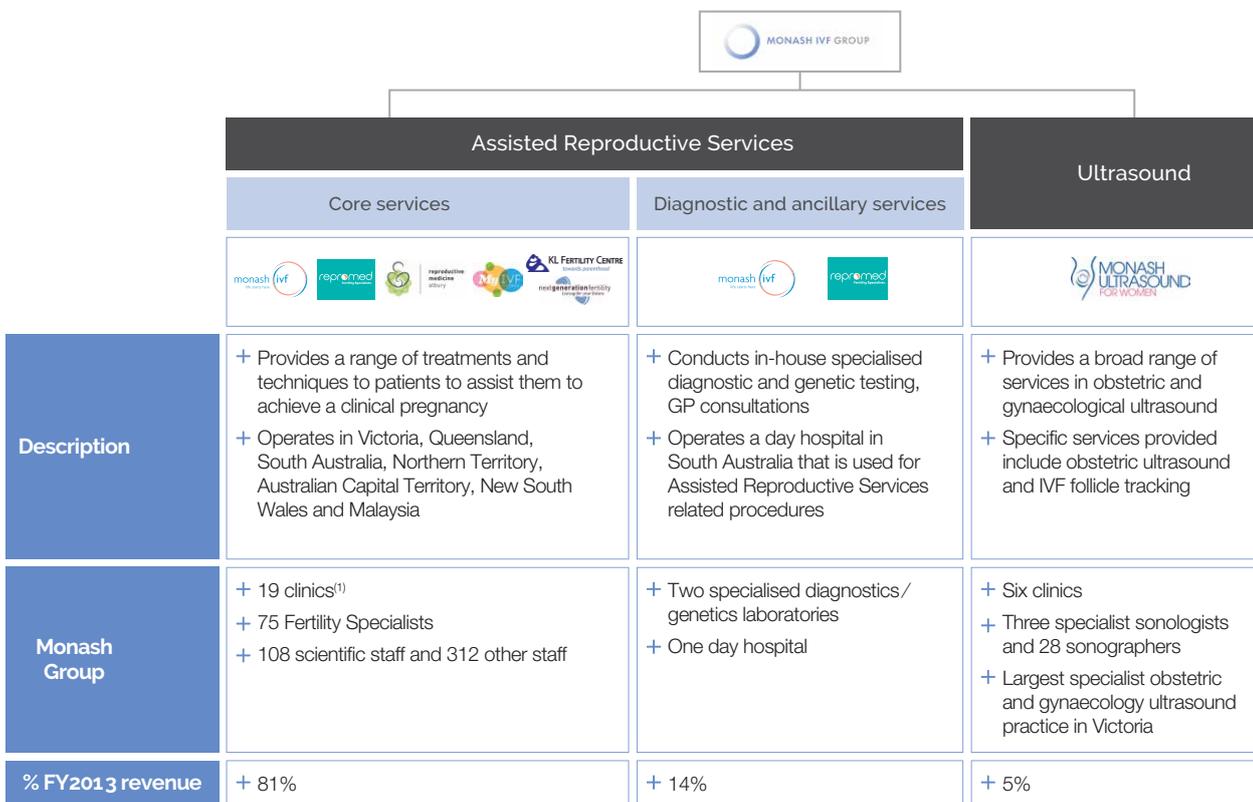
3.1 Overview of Monash Group

Monash Group is a leader in the field of fertility services which are provided to patients who are unable to conceive naturally. It is one of the largest providers of Assisted Reproductive Services (the most significant component of fertility services) in Australia and Malaysia by number of Patient Treatments provided.

Services are provided to patients in Australia through 12 permanent fertility clinics, six satellite clinics, six ultrasound clinics, two specialised diagnostics laboratories and one day hospital. Services are also provided from one permanent fertility clinic in Malaysia. Monash Group has its origins in the 1970's, and provides leading patient and clinical outcomes as a result of its scientific and clinical excellence. Over this time, Monash Group has achieved numerous Australian and world firsts in scientific and clinical practices in the field of Assisted Reproductive Services, allowing its patients to give birth to more than 35,000 babies.

A brief description of Monash Group's key business lines is provided below:

Diagram 4 Overview of Monash Group



Note:
 (1) In 1H FY2015, Monash Group plans to open an additional lower intervention service clinic in Sydney. This clinic is not included in the statistics above. ISIS Fertility (25% owned by Monash Group) is also not included in the statistics above.

3. Business overview

3.2 History of Monash Group

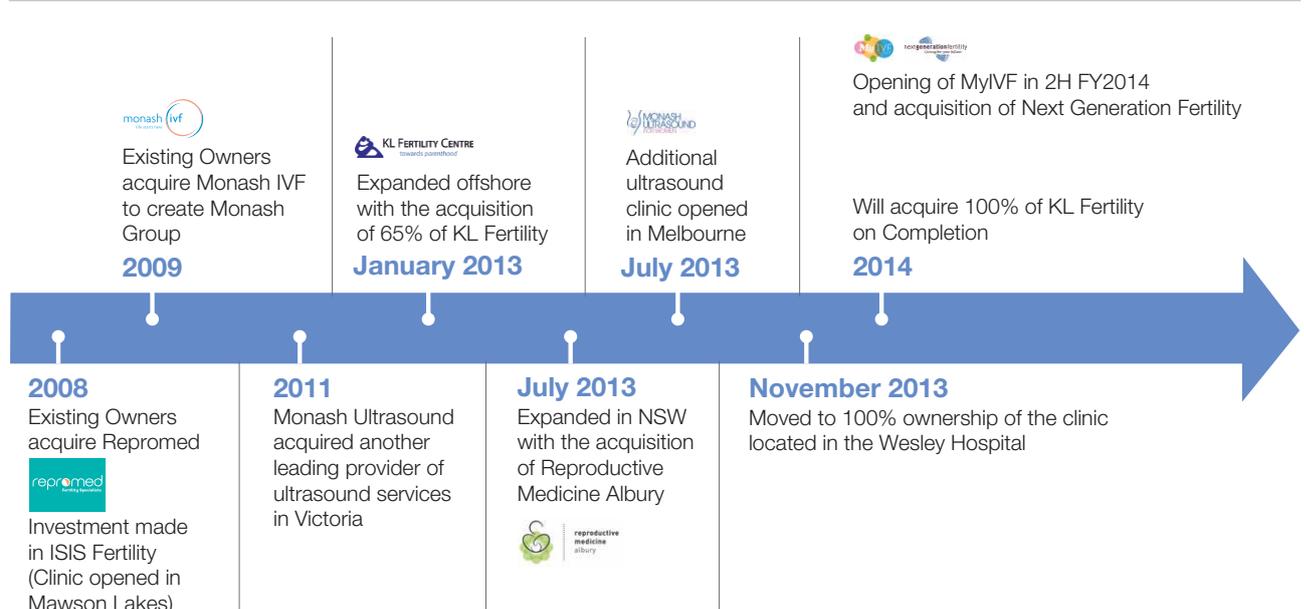
Since the 1970’s, Monash Group has developed into one of the largest providers of Assisted Reproductive Services in Australia and Malaysia. The origins of the group were established in the scientific and medical departments of Monash University and the University of Adelaide. Since separating from the universities, Monash Group has expanded the geographic locations in which it operates and the range of services it provides to patients. This has seen the group establish operations into Queensland, the Northern Territory, New South Wales and Malaysia. Monash Group operates under different brands in various states (Monash IVF, Repromed, Reproductive Medicine Albury (‘Albury IVF’), MyIVF and Next Generation Fertility). It also partly owns a clinic in the Australian Capital Territory (25%) which trades under the brand ISIS Fertility. Monash Group has a strong focus on scientific and clinical excellence and innovation in the delivery of its Assisted Reproductive Services.

In 2013, Monash Group expanded internationally through the acquisition of KL Fertility. This acquisition establishes Monash Group as one of the leading providers of Assisted Reproductive Services in Malaysia and provides a business through which Monash Group can actively pursue further expansion in the Asian region. On Completion, Monash Group will increase its ownership of KL Fertility to 100%.

Other recent expansions by Monash Group include the acquisition of Reproductive Medicine Albury in regional New South Wales, the movement to 100% ownership of a fertility clinic located at the Wesley Hospital in Brisbane (enabling it to consolidate and strengthen its operations in Brisbane) and the acquisition of Next Generation Fertility located in Sydney.

A summary of some of the significant events in Monash Group’s corporate timeline is provided below:

Diagram 5 Monash Group’s corporate timeline

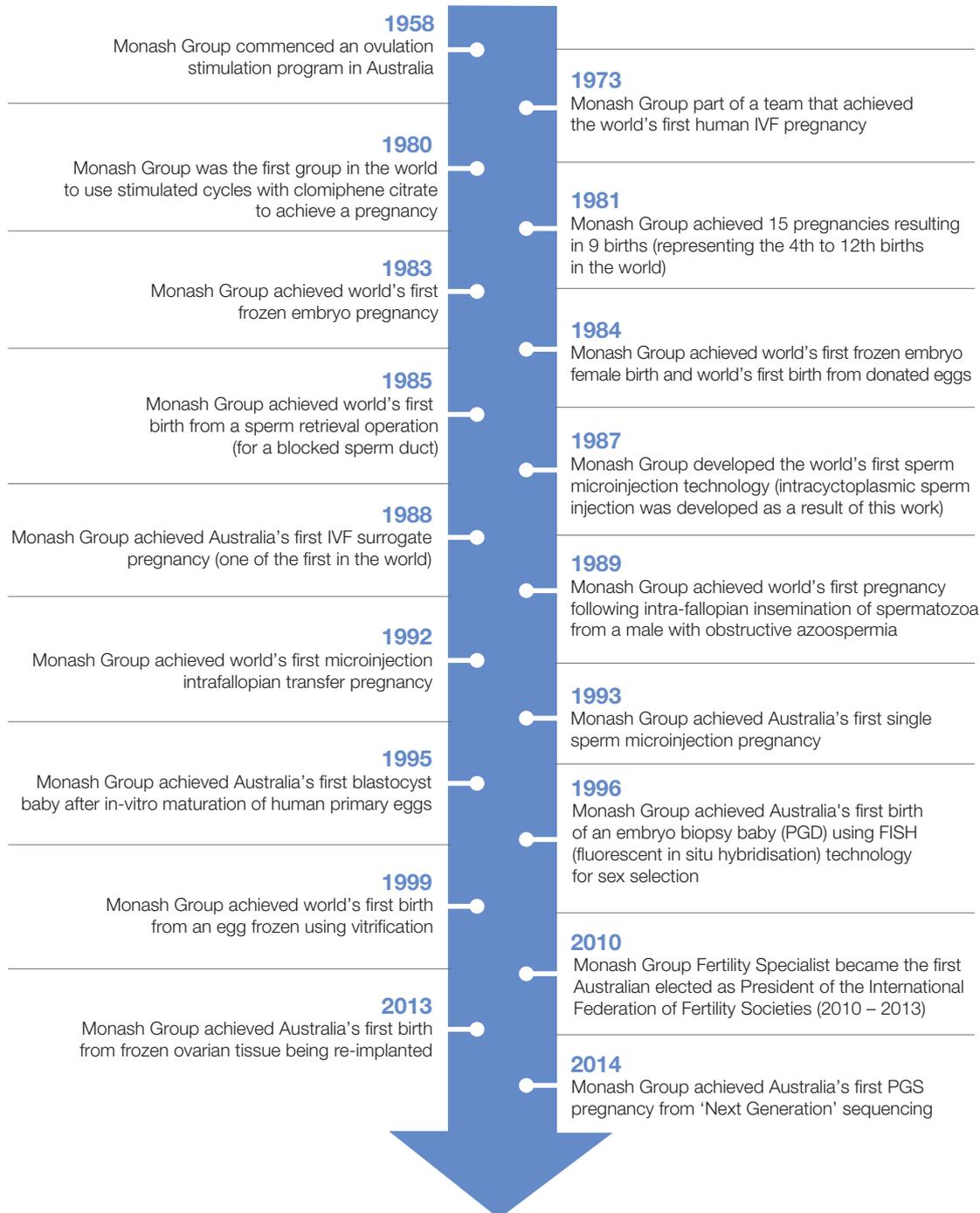


3.3 Leader in science and innovation

Monash Group’s businesses have had a market leading aptitude for scientific innovation and have been at the forefront of many developments in Assisted Reproductive Services, delivering numerous Australian and world firsts in the fertility services field.

3. Business overview

Diagram 6 Key milestones in scientific excellence for Monash Group's businesses



Note:

References to Monash Group above includes operations and activities undertaken by organisations which now form part of Monash Group.

Monash Group focuses on scientific and clinical excellence and innovation in the delivery of its Assisted Reproductive Services. This focus is demonstrated by its establishment, in 2010, of the Monash IVF Research and Education Foundation (the 'MREF'). Operating under an advisory board consisting of a senior Monash University representative and Monash Group clinical, scientific and educational specialists, the MREF advises on ways in which Monash Group can generate internationally recognised research to drive improvements in clinical practice and outcomes, develop and provide educational programs for professionals, and raise community awareness and knowledge about reproductive medicine. Research carried out by Monash Group staff and through MREF has assisted Monash Group to improve and refine

3. Business overview

procedures and protocols, including in relation to blastocyst embryo development, PGS/PGD and Monash Group’s specific methods of vitrification.

Monash Group Fertility Specialists and other staff are highly engaged in research, contributing to more than 40 peer reviewed journal articles and presenting more than 30 presentations at industry conferences in Australia and internationally in 2013. 11 of Monash Group’s Fertility Specialists are university professors or associate professors. Another example of Monash Group’s innovation is evident in its development of satellite clinic technology and protocols (refer to Section 3.5.2).

Current areas of particular interest for Monash Group Fertility Specialists and staff include research into:

- + development of new culture media for the human embryo (especially for patients of advanced maternal age);
- + non-invasive metabolic markers of viable embryos and biomarkers for healthy sperm;
- + factors which contribute to a healthy (receptive) uterine lining (endometrium) for implantation;
- + identifying factors that are predictive or not of a successful first trimester pregnancy; and
- + pre-implantation genetic screening and greater insight into embryo development.

3.4 What is Monash Group's business model?

Monash Group generates income by providing Assisted Reproductive Services to patients from its fertility clinics and by providing ancillary services, such as ultrasounds, testing and other related fertility services. The diagram below summarises the various components of Monash Group’s business model and the main areas through which it derives income.

Diagram 7 Overview of Monash Group's business model

	Activities	Revenue to Monash Group?	Revenue/cost category
1. Sales and marketing to potential patients	<ul style="list-style-type: none"> + Operated by Monash Group to attract patients to its clinics + Promote Monash Group’s ‘best-in-class’ science and success rates 	✗	+ Fixed cost (marketing and advertising)
2. Consultation	<ul style="list-style-type: none"> + Initial consultation with Fertility Specialist to determine appropriate path of treatment + Patients may then be provided one or more of the services below 	✓	+ A proportion of revenue generated from consultations by Fertility Specialists employed by Monash Group
3. Diagnosis and ultrasound	<ul style="list-style-type: none"> + Assist patients in diagnosis and treatment + IVF follicle tracking tracks the menstrual cycle as part of the IVF Cycle process + Gynaecological ultrasound to determine reasons for infertility 	✓	+ Ultrasound revenue
4. Assisted Reproductive Services	<ul style="list-style-type: none"> + Broad range of Assisted Reproductive Services treatments available + Fertility Specialists, scientific staff and nurses deliver these services using Monash Group’s clinics and laboratories + The most common procedures are IVF Cycles and frozen embryo transfers 	✓	<ul style="list-style-type: none"> + Assisted Reproductive Services revenue + Generates the majority of revenue for Monash Group (81% of pro forma FY2013 revenue)
5. Pregnancy scans and testing	<ul style="list-style-type: none"> + Diagnostic and ancillary services provided include PGD, PGS, NIPT, cryostorage of embryos or eggs and semen, and pregnancy testing services + Pregnancy scans are provided to Monash Group patients receiving fertility services and external patients 	✓	<ul style="list-style-type: none"> + Diagnostic and ancillary services revenue + Ultrasound revenue

3. Business overview

This business model is dependent on several key factors, including:

- + **Attracting and retaining Fertility Specialists:** Monash Group contracts with or employs 75 Fertility Specialists who provide the medical component of Assisted Reproductive Services from which Monash Group derives revenue. This includes providing medical care to patients during an IVF Cycle or frozen embryo transfer process, as well as the provision of surgical procedures. Due to the highly specialised nature of Assisted Reproductive Services, Monash Group's business relies upon its ability to attract and retain Fertility Specialists.
- + **Attracting patients:** Monash Group relies on attracting patients to generate revenue. Patients may choose Monash Group for a variety of reasons, including scientific excellence, frozen embryo transfer and diagnostic expertise, its success rates, Fertility Specialist profiles, geographic convenience, access to satellite clinics or any combination of these factors. Existing patients have also exhibited a tendency to return to the same fertility clinic for further treatment where an earlier treatment is unsuccessful, or to try for a sibling post a successful clinical pregnancy.
- + **Government funding:** The Commonwealth Government provides a source of funding for fertility treatments in Australia without which the out-of-pocket costs to patients would be significantly higher than they are currently. This is discussed in more detail in Section 2.9.

Monash Group's operations are supported by a range of group functions including finance, strategy, sales, marketing, IT and human resources.

3.4.1 Core Assisted Reproductive Services

3.4.1.1 Background

Monash Group offers patients a wide variety of Assisted Reproductive Services that can treat a range of infertility conditions. By volume, approximately 60% of Assisted Reproductive Services provided relate to an IVF Cycle, with the remaining treatments predominantly comprising frozen embryo transfers.

Monash Group's Assisted Reproductive Services are provided in accordance with its clinical governance and standardised clinical processes which have been developed by Monash Group over many years. They include, for example, protocols on the appropriate administration of drugs for different categories of patients and for processes to be followed when providing Assisted Reproductive Services such as vitrification, and have been drawn from ideas and systems identified within Monash Group's fertility clinics. The scale of Monash Group's businesses enables it to develop and improve these processes cost effectively, and provides significant amounts of data which it can analyse and use to improve its procedures. Ultimately, its processes and protocols seek to ensure that patients receive the highest and safest possible standards of care that are able to be provided, whilst maximising chances of success.

3.4.1.2 IVF Cycles

An outline of services provided to patients that undertake an IVF Cycle is set out at Section 3.4.4.

Monash Group's focus on scientific excellence and innovation referred to above assists it to achieve impressive success rates for Patient Treatments. Monash Group believes that a patient's understanding of the likelihood of a successful clinical pregnancy is a key driver of whether or not to use Assisted Reproductive Services, and which provider to use.

Monash Group scientific research allows it to innovate continually and improve success rates for its patients. For example, Monash Group prefers to develop embryos to the blastocyst stage (five to six days old). Monash Group believes that growing embryos to the blastocyst stage assists in the selection of embryos that are likely to be more chromosomally balanced and developmentally competent, resulting in a higher chance of pregnancy.

3.4.1.3 Frozen embryo transfers

Monash Group offers patients who undergo an IVF Cycle and create additional embryos the ability to freeze those embryos for transfer at a later time. This is referred to as frozen embryo transfer. Key advantages of this process include:

- + an increased chance of a pregnancy from a single IVF Cycle;
- + a lower risk of a multiple pregnancy by having fewer embryos transferred in the initial IVF Cycle; and
- + a more natural cycle of treatment without drugs being required if the patient ovulates naturally.

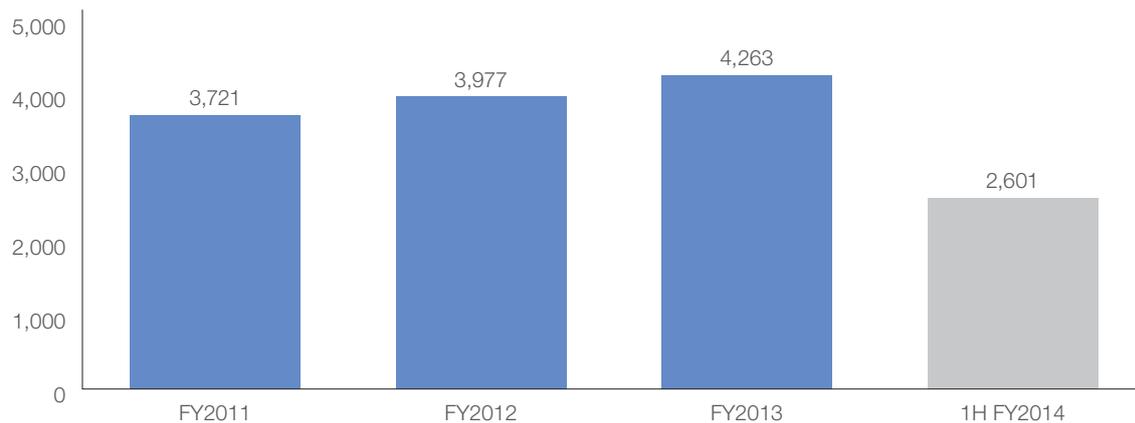
Monash Group believes its embryo development and freezing techniques are industry leading. Monash Group utilises vitrification (an ultra rapid freezing method) and adopts scientific protocols that grow embryos to the blastocyst stage (five to six days old) before vitrification. Monash Group believes that this is a superior process to other methods involving slower freezing processes of embryos grown only to cleavage stage (two to three days old) and a factor that patients consider when choosing Monash Group.

3. Business overview

Monash Group's leading techniques have assisted it to grow its frozen embryo transfers at a CAGR of 7.0% between FY2011 and FY2013. In FY2013, frozen embryo transfers represented 34% of all Patient Treatments by volume. This growth has continued in FY2014, with 1H FY2014 compared to 1H FY2013 up 9.2% (representing organic growth and excluding growth as a result of acquisitions over this period).

Chart 13 Growth in Monash Group's frozen embryo transfers

Number of frozen embryo transfer procedures, FY2011 – 1H FY2014



3.4.2 Diagnostic and ancillary services

Monash Group also has a broad diagnostic and ancillary service offering, which involves providing a range of other services to patients experiencing difficulty conceiving a child naturally. These services include:

- + PGD and PGS;
- + NIPT;
- + access to egg, sperm and embryo donor programs;
- + cryopreservation of gamete material;
- + reproductive hormone tests and pregnancy blood tests;
- + comprehensive semen analysis and testicular extraction of sperm; and
- + provision of day hospital facilities in Adelaide.

A description of these services is contained in Section 2.2. Of the above diagnostic and ancillary services, Monash Group's PGD and PGS, and the donor programs, are the most important contributors to its revenue and reputation.

3.4.2.1 PGD and PGS

Monash Group's leading scientific and clinical processes are demonstrated by the fact that it was responsible for the first embryo biopsy birth of a baby born in Australia following PGD treatment using FISH (fluorescent in situ hybridisation) technology for sex selection²⁷ in 1996. Monash Group now provides PGD and PGS services to Monash Group patients and also provides PGD to patients from nine other IVF clinics in Australia and New Zealand.

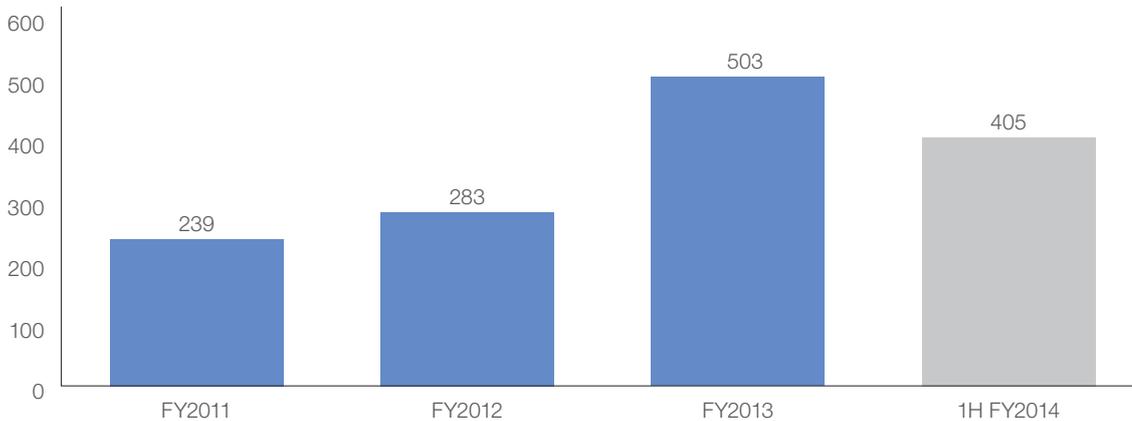
Monash Group has experienced strong growth in demand for PGD and PGS services between FY2011 and FY2013, growing at a CAGR of 45%. Patients and Fertility Specialists are using these testing services where there is a family history of genetic disorders, repeat implantation failure, repeat miscarriage, or the previous loss of a child from a genetic disease. Services such as PGD and PGS enhance and diversify Monash Group's revenue and increase the categories of patients to which it is able to provide services.

²⁷ Being where the embryo of parent(s) with a genetic disorder was tested to check that it did not have the disorder before being transferred to the mother.

3. Business overview

Chart 14 Monash Group PGD and PGS services

Number of PGD and PGS procedures, FY2011 – 1H FY2014



3.4.2.2 Donor programs

Monash Group believes its donor programs enhance its competitive position by enabling it to offer patients a broad range of donor alternatives with the potential for shorter waiting periods.

Egg donation program

In 1984, Monash Group achieved the world's first birth from donated eggs. Egg (or embryo) donation is the only option for patients who are unable to generate healthy eggs. There is a limited supply of donor eggs in Australia; however, The World Egg Bank (based in the USA) has entered into an agreement with Monash Group under which it provides frozen donor eggs to Monash IVF and its affiliates in its markets in Australia. This arrangement provides Monash Group's patients with additional access to donor eggs, which enables Monash Group to broaden the number of patients that it is able to treat and differentiates Monash Group from many other Australian IVF clinics. Monash Group commenced importing donor eggs in FY2014.

Sperm donation program

Monash Group's sperm donation program is also an important component of its service offering, with one in eight infertile couples requiring the use of donor sperm to achieve a pregnancy. Single women, or those in same sex relationships, may also seek the use of donor sperm in order to achieve a pregnancy. Donor sperm can be used as part of an IVF Cycle or in an insemination treatment. For these reasons, Monash Group has developed three distinct donor programs:

- + **clinic recruited donors from Australia:** these donors are recruited by the clinic and provide sperm for use by recipients;
- + **clinic recruited donor sperm from overseas:** Monash Group is able to offer donor sperm from the European Sperm Bank to recipients; and
- + **known donors:** these donors are known to the recipient and are available for their use exclusively. The recipient pays for all costs involved.

Embryo donation program

Monash Group donor embryo programs are also available to patients who have been unable to achieve a viable, ongoing pregnancy and whose own sperm and/or eggs are unsuitable for continuing with IVF treatment.

3.4.3 Ultrasound business

Monash Group's ultrasound business, Monash Ultrasound for Women ('MUFW') is Victoria's largest specialist obstetric and gynaecological ultrasound provider by number of ultrasound clinics, delivering care to patients in Melbourne. It provides a full range of obstetric and gynaecological ultrasound from six clinic locations. The business has particular expertise in early pregnancy diagnostics and first trimester detection of pre-eclampsia.

3. Business overview

The ultrasound business complements Monash Group’s primary Assisted Reproductive Services offering, providing ultrasound services to patients using Monash Group’s Assisted Reproduction Services. It also provides ultrasound services to patients who are not using Monash Group’s Assisted Reproductive Services. The diagram below illustrates the types of treatment and the patients serviced.

Diagram 8 Ultrasound business model

Stage	Activities	Monash Group fertility patients	Other patients
Pre-pregnancy ultrasound services	<ul style="list-style-type: none"> + IVF follicle tracking – tracking of a woman’s menstrual cycle by vaginal ultrasound can be an important part of the IVF + Gynaecological ultrasound – ultrasound performed in order to assess causes of infertility 	✓	✓
Post-pregnancy ultrasound services	<ul style="list-style-type: none"> + Obstetrics ultrasound (including 12 and 20 week scans) – ultrasound used to visualise the embryo or foetus in its mother’s uterus + Invasive genetic testing – includes ‘chorionic villus sampling’ which collects a small sample of placental tissue used to test for genetic abnormalities; mostly offered to patients who are at a high risk for chromosome abnormalities 	✓	✓
Non-pregnancy ultrasound services	<ul style="list-style-type: none"> + Gynaecological ultrasound – ultrasound may be undertaken for women experiencing pelvic pain, irregular menstrual cycles etc. 	✓	✓

Monash Group also has genetic counsellors who work with couples who have undergone fertility treatment and patients who are at risk of a foetal abnormality in pregnancy. They provide detailed information on pre-natal genetic testing and genetic disorders and offer professional, empathetic support to patients having difficulties in pregnancy.

3.4.4 Market segments serviced

3.4.4.1 Full-service offering

Monash Group’s full-service offering aims to provide the widest range of treatments possible for patients and to make their experience as comfortable as possible. With the importance Monash Group places on scientific excellence, Monash Group has achieved impressive success rates and on occasions has been able to offer treatment in cases of even severe infertility.

3.4.4.2 Lower intervention service offering

Monash Group believes that there are a number of potential patients not using full-service Assisted Reproductive Services because of financial constraints. This is particularly the case for patients without private health insurance cover because they are likely to face higher out-of-pocket expenses. In February 2014, Monash Group opened ‘MyIVF’ in Northlakes, north of Brisbane. In 1H FY2015, Monash Group plans to open an additional lower intervention service clinic in Sydney.

Monash Group’s lower intervention service initiative aims to meet the demand for Assisted Reproductive Services from this segment of the market without reducing the demand for Monash Group’s existing full-service offering. In addition, Monash Group expects its lower intervention service clinics to be a source of referrals to its full-service clinics where patients may require the additional services that its full-service offering is able to provide.

3. Business overview

A comparison of services provided is shown below:

	Lower intervention service offering	Full-service offering
IVF Cycles	✓	✓
Frozen embryo transfers	✓	✓
Simple diagnostic	✓	✓
Advanced diagnostic	✗	✓
Clinical contact	More nurses and GPs, rostered specialist	Substantial contact with specialist
Guidance through process	Online portal	Nurse assigned
Doctor of choice	✗	✓
Drug hormone	Lighter, less embryos collected	✓
Day surgery	✓	✓
Donor sperm	✗	✓
Donor egg	✗	✓
Intrauterine insemination	✗	✓
Anaesthesia for egg pick-up	Local anaesthetic	General anaesthetic
Wait time for egg pick-up and transfer	Expected to be longer than full-service offering	Generally minimal/none
Out-of-pocket expense (IVF Cycle)⁽¹⁾	Approximately \$1,300	Approximately \$3,900

Note:

(1) The calculation of out-of-pocket expenses is based on the following assumptions:

- + The example pricing of the lower intervention and full-service offerings outlined in the table reflects an average of the prices charged by Monash Group.
- + Private hospital and day facility fees, including hospital day surgery (e.g. for egg pick-up and implantation of embryos) and anaesthetist fees, are additional and not illustrated in the table above. Refer to Section 2.9.2 for further detail on private health insurance.

Lower intervention service clinics are simpler and less costly to establish for existing large providers of Assisted Reproductive Services like Monash Group relative to a full-service offering clinic. This is because they do not require the same level of investment in infrastructure (e.g. equipment), typically occupy a smaller footprint and operate with fewer staff, and leverage staff, Fertility Specialists and other resources from other clinics.

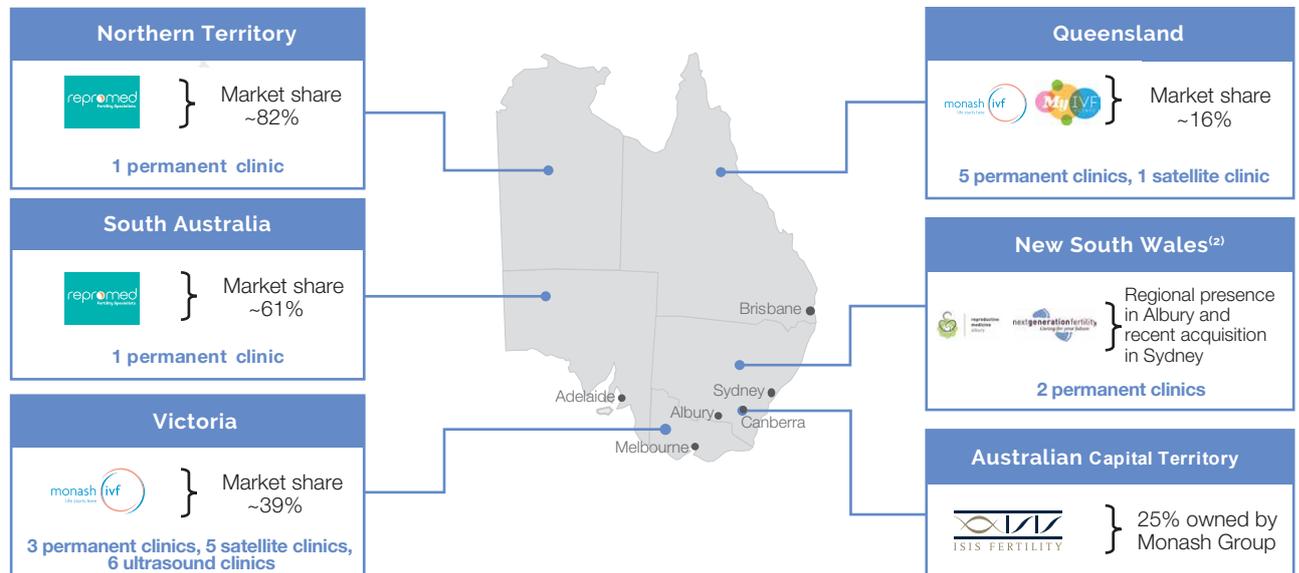
3.5 What is Monash Group's geographic footprint?

Monash Group is a leading Assisted Reproductive Services provider in Victoria, South Australia and the Northern Territory, with a strong presence in Queensland. Together, these states and territories accounted for 54% of the Patient Treatments that were undertaken in Australia in 2013. Monash Group also has an emerging presence in New South Wales and partly owns a clinic in the Australian Capital Territory.

3. Business overview

3.5.1 Monash Group's Australian presence

Diagram 9 Monash Group's Australian presence⁽¹⁾



Note:

(1) Market share data for Patient Treatments in FY2013.

Facilities				
State	Permanent	Satellite	Ultrasound	Key features
Vic	3	5	6	Operates from one of the leading tertiary hospitals in Melbourne, with a number of clinics in the broader metropolitan area
Qld	5	1	–	Strong position in three distinct regional markets – Gold Coast, Brisbane and Northern Queensland
SA	1	–	–	Clear market leader in Adelaide market
NT	1	–	–	Only Assisted Reproductive Services clinic in Darwin
NSW	2	–	–	Regional presence in Albury and recent acquisition in Sydney
Total	12	6	6	

3.5.2 Satellite clinic capability

In addition to its permanent clinics, Monash Group provides Assisted Reproductive Services from six ‘satellite centres’ in regional locations in Victoria and Queensland. This brings Assisted Reproductive Services to locations where patients would not otherwise be able to access such services as conveniently. Monash Group believes it was the first Assisted Reproductive Services provider in Australia to operate satellite clinics in this way, using capabilities and intellectual property developed in-house. Operating satellite clinics also allows Monash Group to develop relationships with general practitioners in the area, which Monash Group believes further enhances its competitive position in these regional markets.

3. Business overview

3.5.3 Monash Group's Asian presence

Diagram 10 Monash Group's Asian presence



KL Fertility is a three-doctor clinic operating from one location in Kuala Lumpur, Malaysia. The clinic was founded by Dr Prashant, who has more than 20 years' experience in fertility and IVF. KL Fertility is positioned as a premium provider of Assisted Reproductive Services that is able to leverage the experience and skill of local Fertility Specialists with the backing of Monash Group. KL Fertility is the second largest provider of Assisted Reproductive Services in Malaysia, with approximately 13% of the market share by number of Patient Treatments.

In addition, Monash Group has from time to time established co-operative arrangements with clinics in a number of international locations. These arrangements have typically involved Monash Group supplying expertise in technology transfer assessment, a range of planning and quality assurance services, access to Monash Group's clinical and scientific protocols and support of laboratory staff in exchange for consultancy fees. Monash Group currently has a co-operative agreement with the International Peace, Maternity and Child Health Hospital in Shanghai, China.

Monash Group believes that maintaining an international presence assists to build the group's reputation and to promote the use of Assisted Reproductive Services in developing countries, both of which may facilitate a more effective expansion into new geographies if appropriate opportunities arise.

3.6 Sales and marketing

Monash Group seeks to expand its brand recognition and develop clinic and doctor profiles through its national sales and marketing infrastructure.

Monash Group's marketing focuses on two major areas of the patient referral channel:

- + referrals from general practitioners and obstetrics and gynaecology specialists; and
- + direct education and targeting of patients.

For example, to target referrals Monash Group uses a team of approximately eight clinical liaison officers who meet with and educate general practitioners and specialists about Monash Group, including its success rates, scientific excellence and geographic coverage. Materials are provided to doctors at these meetings, including a 'GP Guide', to facilitate the referral of patients by the general practitioners. Electronic newsletters are provided to doctors on Monash Group's mailing list. Practice based talks are also provided, often with a Monash Group specialist present. Monash Group also participates in larger educational functions, often in partnership with organisations including Health Education Australia Limited, Medicare and hospitals.

Patients are targeted directly via radio campaigns, complimentary seminars for potential patients (which are advertised through the group's website and on radio) and a digital strategy to increase website traffic through drivers including Google AdWords, Facebook banner advertisements and other targeted online promotions and advertising. The website encourages prospective patients to book appointments or make general enquiries.

3. Business overview

Monash Group believes that the scale and output of its sales and marketing infrastructure allows it to cover a large number of general practitioners and obstetrics and gynaecology specialists, and generate higher consumer awareness of its businesses in a targeted manner.

3.7 Profile of Monash Group's Fertility Specialists

Monash Group relies upon its ability to attract and retain high quality Fertility Specialists to provide fertility services from which revenue is derived. Fertility Specialists are also involved in the development of Monash Group's clinical and scientific protocols and have a close working relationship with Monash Group's management, scientific personnel and nursing staff.

3.7.1 Why do Fertility Specialists contract with Monash Group?

Monash Group contracts with or employs 75 Fertility Specialists, who choose to contract with or work for Monash Group for several key reasons including:

- + **Scientific excellence:** Monash Group provides access to market leading science and a group of highly trained scientific staff, who assist its Fertility Specialists to achieve impressive success rates, and attract patients to the group. Monash Group's scale allows it to invest in advanced technologies for use by its Fertility Specialists and staff.
- + **Monash Group's diagnostic, ancillary and ultrasound services:** Monash Group's diagnostic, ancillary and ultrasound services provide Fertility Specialists with in-house access to services and infrastructure that would otherwise need to be sourced from third parties.
- + **Opportunity to conduct research with scientific leaders:** Monash Group supports Fertility Specialists to undertake sponsored research in the field of Assisted Reproductive Services.
- + **Opportunity to work with industry leaders:** Monash Group contracts or employs 10 CREI accredited Fertility Specialists. Two of Monash Group's Fertility Specialists are examiners of the CREI program and three are college approved training supervisors. In addition, 11 of Monash Group's Fertility Specialists are university professors or associate professors. Some of Monash Group's Fertility Specialists have held senior positions with the Fertility Society of Australia, the IVF Directors Group and the National Association of Specialist Obstetricians and Gynaecologists.
- + **CREI Training Facilities:** Monash Group operates three CREI sub-specialty training centres in Australia. The CREI program demonstrates that specialists are fully trained to provide the highest level of expertise to patients with fertility difficulties. This provides exposure to a large proportion of training CREI Fellows and the opportunity to attract these specialists to work with Monash Group.
- + **Flexibility to operate their non-IVF practice:** Monash Group's Fertility Specialists are able to practice other fields of medicine (including obstetrics and gynaecology) independently from their Monash Group Assisted Reproductive Services activities. However, all Assisted Reproductive Services provided by Fertility Specialists must be provided through Monash Group.
- + **Proprietary patient information system:** Monash Group has invested in patient information management systems and is in the process of rolling out this technology across its clinics. The technology facilitates remote access and provides greater flexibility to Fertility Specialists and other staff.
- + **Competitive remuneration:** Monash Group's Fertility Specialists are remunerated on a competitive basis.

Between FY2011 and FY2013, 12 new Fertility Specialists have contracted to provide their services to Monash Group, representing a significant proportion of new Fertility Specialists entering the field of Assisted Reproductive Services over that period. Monash Group believes that the factors described above have contributed to its low level of Fertility Specialist turnover and assisted it to generate and grow revenues as well as the reputation of its staff and businesses.

3.7.2 Fertility Specialist age and distribution of Patient Treatments

Monash Group operates with a group of Fertility Specialists who are:

- + **Diversified by number of Patient Treatments, reducing the risk associated with any one specialist:** The number of Patient Treatments managed by any particular Fertility Specialist is low relative to the total number of Patient Treatments performed by Monash Group. In FY2013, Monash Group's five most active Fertility Specialists managed 4,246 Patient Treatments of Monash Group's total 12,582 Patient Treatments. Monash Group's ability to recruit new Fertility Specialists has resulted in reduced concentration of Patient Treatments per Fertility Specialist, reducing the risk associated with any one specialist leaving Monash Group.
- + **Relatively young, limiting retirement risk:** Monash Group's top five Fertility Specialists (in terms of Patient Treatment volumes) have an average age of 47, which is relatively young for the field of Assisted Reproductive Services. In FY2013, 66% of Monash Group's Patient Treatments were also performed by Fertility Specialists under the age of 55. Monash Group's younger Fertility Specialists are growing their Patient Treatment volumes at faster rates than average growth rates.

3. Business overview

- + **Capable of supporting business growth:** Monash Group's 75 Fertility Specialists are diversified by both age and career status. The group contains a number of full-time Fertility Specialists performing over 400 Patient Treatments annually. It also contains a group of relatively new Fertility Specialists who provide significant capacity to grow Patient Treatment volumes.
- + **Diversified by referral source:** Patients are typically referred to an individual Fertility Specialist or to a fertility clinic. In this regard, both Monash Group and its Fertility Specialists benefit from Monash Group's strong brand. In particular, the Repromed brand is the single highest contributor to Monash Group's IVF Cycle base, as it is estimated that more than 50% of Repromed patients are referred directly to a clinic, rather than an individual Fertility Specialist.

3.7.3 Contractual arrangements with Monash Group Fertility Specialists

Each of the Fertility Specialists and medical professionals involved with the business has entered into an agreement with a Monash Group company. The structure and key terms of these agreements differ across the business, with Monash Group typically contracting with specialists, other than in South Australia, where it typically employs specialists. A summary of the types of agreements with Fertility Specialists identified by management as being key to the business is outlined below.

Monash Group's Repromed business also employs general practitioners, which allows for the treatment of patients for a wide variety of infertility issues.

Table 7 Selected contract terms for key contracted Fertility Specialists

Term	Key details
Nature of agreement	+ Fertility Specialists are engaged as independent contractors for the exclusive provision of Assisted Reproductive Services
Remuneration	+ Set management fee per IVF Cycle + Fixed fee per scheduled theatre session for egg collection, embryo transfers and other day hospital procedures
Term	+ Agreement continues until terminated
Termination notice period	+ Six to 12 months for termination without cause
Doctor obligations post termination	+ Non-compete: ranging from one to three years post termination, the Fertility Specialist may not conduct IVF business within 50 km of any Monash IVF site + Commercial interests: for one to three years post termination, the Fertility Specialist may not hold an ownership interest in an IVF services business in Australia (cascading down to Victoria, New South Wales, Queensland, and then down to within typically at least 50 km of any site) + Non-solicit: for one to three years post termination + Three contracted Fertility Specialists are subject to non-compete and non-solicit provisions and are restricted from holding commercial interests for a period of one year which period runs simultaneously with their one year termination notice period + One Malaysian-based contracted Fertility Specialist is subject to non-compete and non-solicit provisions for a period of 3 years from the earlier of termination or when he ceases to hold shares in any Monash Group company and which apply in the state of Selangor and the Federal Territory of Kuala Lumpur, Malaysia

3. Business overview

Table 8 Selected contract terms for key employed Fertility Specialists

Term	Key details
Nature of agreement	+ Employment agreement
Remuneration	+ Annual salary for each Fertility Specialist (or with various arrangements for part-time Fertility Specialists)
Term	+ Permanent employee – continues until terminated
Termination notice period	+ Minimum six months for termination without cause
Doctor obligations post termination	<ul style="list-style-type: none"> + Non-compete: for one year (cascading down to six months) post termination, the Fertility Specialist may not conduct an IVF business that is in competition with Monash Group (being anywhere Monash Group carries on business) + Commercial interests: for one year (cascading down to six months) post termination, the Fertility Specialist may not hold an ownership interest in an IVF services business anywhere Monash Group conducts its business + Non-solicit: for one year post termination for customers, employees and non-interference of group relationships

3.8 Monash Group's scientific, ultrasound, nursing and other staff

Monash Group has over 440 permanent full-time, part-time and casual staff across the areas of nursing, scientific, ultrasound, research, counselling, marketing, administration, HR, finance and IT. An overview of its employee composition is shown in the table below.

Table 9 Monash Group employee summary

Category	Total employees
Scientific	108
Ultrasound sonologists and sonographers	31
Nursing and patient services	122
Counselling	21
Administrative and management	159

Note: Data as at 2 June 2014.

3.8.1 Scientific staff

Monash Group employs a group of highly trained scientists in its diagnostic and embryology laboratories. These scientists are important contributors to Monash Group's success rates, as well as to the continual improvement of Monash Group's clinical and scientific techniques and research. Scientists are typically recruited from university science programs and trained in-house to become specialists in the area of fertility biology. There is a limited supply of trained fertility biologists in the market. Monash Group seeks to offer an attractive workplace environment at the leading edge of scientific and clinical breakthroughs and research in the field of Assisted Reproductive Services. A number of Monash Group staff undertake research at Monash University and the University of Adelaide. Monash Group is able to benefit from this research through improvements to treatment regimes flowing from research findings.

Monash Group believes that the employment of its team of scientists and the limited supply of available trained fertility biologists provide it with a significant competitive advantage over smaller IVF operators and new companies considering entering the market.

3. Business overview

3.8.2 Ultrasound staff

MUFW has three obstetrical gynaecologist sonologists. These are highly trained specialist obstetricians and gynaecologists who have attained sub-specialty qualifications in ultrasound (COGU or similar). They are supported by a team of 28 sonographers.

3.8.3 Nursing and patient service staff

Monash Group employs approximately 122 nursing staff to assist Fertility Specialists and manage the patient care experience through orientation and the IVF Cycle. Nurses play a major role in patient education and communication of the process and maintain the link between the Fertility Specialist and the patient through the IVF Cycle.

3.9 What is Monash Group's growth strategy?

Monash Group is strategically positioned to capitalise on growth opportunities in Australia and internationally, particularly through leveraging the competitive advantages which it believes arise as a result of operating a large fertility business as described in Section 2.7.2.

3.9.1 Grow share in existing markets

3.9.1.1 Increasing sales and marketing activities

Monash Group will continue to invest and expand its sales and marketing infrastructure to attract patients to its clinics and increase its share of total Patient Treatments provided in the markets in which it operates. A significant focus for Monash Group is the greater promotion of its scientific and clinical excellence, leveraging off its success rates. It will do this on its website, in marketing materials given to Fertility Specialists and patients, and through its clinical liaison officers when speaking to general practitioners, obstetricians and gynaecologists. Monash Group will also place increasing focus on additional, and more targeted, digital marketing.

3.9.1.2 Recruitment of future Fertility Specialists

Monash Group will continue seeking to expand the number of Fertility Specialists that practice with Monash Group. As a significant provider of CREI training in Australia and offering access to industry leading science, Monash Group believes it is well positioned to attract additional Fertility Specialists to increase its Patient Treatments and grow revenues.

3.9.1.3 Frozen embryo transfers

Monash Group will continue its focus on effective and efficient delivery of frozen embryo transfers, utilising its leading development and freezing techniques to drive frozen embryo transfer results, growth and revenues. As an example, it plans to continue to invest in refining its vitrification processes and protocols to support this strategy.

3.9.1.4 Lower intervention service offering

Monash Group plans to expand its lower intervention service offering to capture increasing demand from what it believes is a currently underserved segment of the market. In February 2014, Monash Group opened 'MyIVF' at Northlakes in Brisbane and plans to open an additional lower intervention service clinic in Sydney in 1H FY2015. These clinics aim to attract patients who are currently not using full-service Assisted Reproductive Services because of financial constraints or because they do not live in close proximity to one of Monash Group's full-service clinics.

3.9.2 Invest in best-in-class science and testing

Monash Group will continue to expand the range of tests offered to Fertility Specialists and continue to invest in improving its scientific and clinical practices such as 'Next Generation' PGS/PGD, which is a more comprehensive chromosome screening/diagnosis process that is currently being implemented.

In addition, Monash Group will continue to review its ultrasound, diagnostic and ancillary services that are currently offered by Monash Group for potential growth opportunities. PGD and PGS are examples of such services which have grown significantly and which Monash Group will continue to promote through Fertility Specialists and the usual marketing channels.

3. Business overview

3.9.3 Expand clinic network in Australia

Monash Group continually assesses opportunities for clinic expansion in areas of unmet patient demand. This may involve expansion of its clinic network, including its lower intervention service offering, in states in which it already has a strong presence as well as other locations.

Monash Group will seek to complement its organic expansion strategy with acquisitions of fertility and ultrasound clinics and other adjacent service offerings in locations which it believes are strategically important. As one of the largest providers of Assisted Reproductive Services and specialised women ultrasound services, Monash Group believes it is an attractive partner for fertility clinics and ultrasound providers looking to join a larger network.

A key focus for acquisitions is expected to be in the states in which Monash Group does not have a significant presence, including New South Wales, which represents approximately 33% of the Australian market. In addition to Monash Group's existing regional presence in Albury, Monash Group has recently expanded its New South Wales footprint through the acquisition of Next Generation Fertility. Next Generation Fertility was established in 2005 and currently operates one permanent fertility clinic in Sydney.

As Monash Group expands, it will seek to broaden the expertise and offering of new clinics by extending the experience and techniques developed in its established business into those new clinics.

3.9.4 Expand Asian business

Demand for Monash Group's Assisted Reproductive Services in Malaysia is growing strongly. Monash Group will seek to grow its Malaysian business organically and potentially through further acquisitions that meet its investment criteria. It has recruited two new Fertility Specialists in the previous 12 months and has invested in their training and development.

Monash Group will also seek to expand its Asian business through entering into co-operative arrangements with fertility clinic groups in other Asian markets, particularly China. Similar to its strategies in Australia, as Monash Group expands internationally, it will seek to broaden the expertise and offering of those clinics by extending the experience and techniques developed in its Australian business.



4. Financial Information

4. Financial Information

4.1 Introduction

The financial information for Monash Group contained in Section 4 includes:

- + Historical financial information for Monash Group comprising the:
 - Summary pro forma consolidated historical income statements for FY2011, FY2012, FY2013, 1H FY2013 and 1H FY2014 ('Pro Forma Historical Results');
 - Summary statutory consolidated historical income statements for FY2011, FY2012, FY2013, 1H FY2013 and 1H FY2014 ('Statutory Historical Results');
 - Pro forma consolidated historical cash flow statements for FY2011, FY2012, FY2013, 1H FY2013 and 1H FY2014 ('Pro Forma Historical Cash Flows');
 - Statutory consolidated historical cash flow statements for FY2011, FY2012, FY2013, 1H FY2013 and 1H FY2014 ('Statutory Historical Cash Flows');
 - Pro forma consolidated historical balance sheet as at 31 December 2013 ('Pro Forma Historical Balance Sheet'); and
 - Statutory consolidated historical balance sheet as at 31 December 2013 ('Statutory Historical Balance Sheet'),
 together the 'Historical Financial Information'. The Pro Forma Historical Results, Pro Forma Historical Cash Flows and Pro Forma Historical Balance Sheet are referred to as the 'Pro Forma Historical Financial Information'. The Statutory Historical Results, Statutory Historical Cash Flows and Statutory Historical Balance Sheet are referred to as the 'Statutory Historical Financial Information'.
- + Forecast financial information for Monash Group comprising the:
 - Pro forma consolidated forecast income statement for FY2014 ('Pro Forma Forecast Results');
 - Statutory consolidated forecast income statement for FY2014 and FY2015 ('Statutory Forecast Results');
 - Pro forma consolidated forecast cash flow statements for FY2014 ('Pro Forma Forecast Cash Flows'); and
 - Statutory consolidated forecast cash flow statements for FY2014 and FY2015 ('Statutory Forecast Cash Flows'),
 together the 'Forecast Financial Information'. The Pro Forma Forecast Results and Pro Forma Forecast Cash Flows are referred to as the 'Pro Forma Forecast Financial Information'. The Statutory Forecast Results and Statutory Forecast Cash Flows are referred to as the 'Statutory Forecast Financial Information'.

The Historical Financial Information and the Forecast Financial Information together form the 'Financial Information'.

All amounts disclosed in the tables in this Section are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million. In addition to Australian dollars, Monash Group earns part of its revenues and incurs part of its expenses and holds assets and liabilities in Malaysian Ringgit. Historical and forecast exchange rates are provided in Section 4.4.5.

4.2 Basis of preparation and presentation of the Financial Information

4.2.1 Background

Introduction

The Financial Information included in Section 4 has been prepared in accordance with the recognition and measurements principles of Australian Accounting Standards, issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards ('IFRS') and interpretations issued by the International Accounting Standards Board ('IASB'). The Financial Information is presented in abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001. The accounting policies of Monash Group have been consistently applied throughout the periods presented. Significant accounting policies of Monash Group relevant to the Financial Information are noted in Appendix A.

Following Completion, Monash Group will have a new operating, capital and ownership structure as disclosed in the Prospectus. Pro forma financial information has been prepared to reflect Monash Group's financial performance as if this new operating, capital and ownership structure had been in place since 1 July 2010 and certain discontinued and non-recurring items had been eliminated, and to reflect Monash Group's financial position as if the Completion had occurred on 31 December 2013.

4. Financial Information

The Pro Forma and Statutory Historical Financial Information does not present NPAT attributable to Monash Group's minority interests as it is not relevant to the new Group structure given there will be no material minority interests. In 1H FY2014, Monash Group companies acquired the minority interests in the Wesley Hospital clinic, and the Monash IVF and Reproned businesses, to move to 100% ownership of those businesses.

In May 2014, Monash Group acquired 100% ownership of Next Generation Fertility. Further, as part of Completion, Monash Group will acquire the minority interests in KL Fertility to move to 100% ownership of KL Fertility. A pro forma adjustment has been made to the Pro Forma Balance Sheet to reflect the acquisition of Next Generation Fertility and the acquisition of minority interests in KL Fertility. Further, a number of non-core operations have been discontinued over the period of the Historical Financial Information in relation to the hospital, pathology and property businesses for which pro forma adjustments have been made to remove the results of these operations from the Pro Forma Historical Results and Pro Forma Historical Cash Flows.

The Pro Forma Historical Financial Information and the Forecast Financial Information have been prepared for the purpose of the Offer.

The Financial Information presented in the Prospectus has been reviewed by Ernst & Young Transaction Advisory Services Limited whose Independent Limited Assurance Report is contained in Section 8. Investors should note the scope and limitations of the report.

Use of certain non-IFRS financial information

Certain financial measures included in this Prospectus may be considered non-IFRS financial information. These measures include EBIT and EBITDA. EBIT and EBITDA are key financial performance measures used by Monash Group for its internal management reporting as Monash Group believes they appropriately reflect what it considers to be its underlying performance. EBIT and EBITDA are calculated by excluding some items which are included within the statutory net profit attributable to equity holders. They are not statutory financial measures and are not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards. Although Monash Group believes that these measures provide useful information about the financial performance of Monash Group, they should be considered as supplements to the income statement and cash flow measures that have been presented in accordance with the Australian Accounting Standards and not as a replacement for them. Because these financial measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way Monash Group calculates these measures may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on these financial measures.

Segment reporting

The two geographic segments described in Section 4.6.8 of this Prospectus, being Australia and International, reflect Monash Group's reporting structure to its Chief Executive Officer. Monash Group considers that the two geographic segments are appropriate for segment reporting purposes under AASB 8 'Operating Segments'. These segments comprise the following operations:

- + Monash Group Australia: provider of Assisted Reproductive Services and other related services outlined in Section 3 in Australia.
- + Monash Group International: provider of Assisted Reproductive Services in Malaysia and party to a co-operative agreement with an Assisted Reproductive Services provider in China.

4.2.2 Preparation of Historical Financial Information

The Historical Financial Information is presented on both a statutory and pro forma basis.

Healthbridge Enterprises Pty Ltd (ABN 27 132 880 392) ('HEPL') is the current parent company of the Monash Group businesses. HEPL's historical results have been adopted as Monash Group's statutory historical information.

HEPL will report the operating activities and financial results of the business until settlement of the Offer when Monash IVF Group Limited, which was incorporated on 30 April 2014, will become the parent company of the group through an internal restructure. The substance of the transactions contemplated under the Offer has been evaluated in accordance with AASB 3 'Business Combinations' and it has been determined that the transaction does not represent a business combination. The transactions will be accounted for as a group reorganisation using the principles of reverse acquisition. Therefore, the carrying value of the net assets will continue to be recorded at their book values as per the HEPL consolidated financial statements and the results of the group will continue to be reported in a manner consistent with that recorded by HEPL.

Accounting for transactions such as the internal restructure referred to above and contemplated in connection with the Offer is currently being reviewed by international accounting standard setters and may be subject to change. The outcome of these deliberations, the timing of any decisions and whether any potential changes are retrospective or only prospective could mean that the financial reporting outcome may be different to that reported in this Prospectus.

4. Financial Information

In the event that the transactions contemplated by the Offer were required to be recorded at fair value:

- + the net assets of Monash Group would be increased to reflect the market capitalisation as a result of the Offer (an increase of approximately \$310 million based on the Offer Price);
- + the reserves and retained profits would be reset to nil as a result of the transactions; and
- + the Directors anticipate that the excess of the fair value compared to the book value of net assets would primarily be allocated to goodwill and trade marks, assets with indefinite life not requiring amortisation, and therefore would not expect any material impact on the pro forma forecast income statement presented.

The Statutory Historical Financial Information has been derived from HEPL's audited consolidated financial statements for FY2011, FY2012, FY2013 and from reviewed consolidated financial statements for 1H FY2014 which includes comparative financial information for 1H FY2013. The Statutory Historical Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, issued by the Australian Accounting Standards Board, which are consistent with IFRS and interpretations issued by the IASB and Monash Group's adopted accounting policies. The FY2011, FY2012 and FY2013 consolidated financial reports of HEPL have been audited by KPMG, who have issued unqualified audit opinions in respect of these periods. The 1H FY2014 consolidated half year financial report of HEPL, which includes comparative financial information for 1H FY2013, has been reviewed by KPMG, who have issued an unqualified review opinion in respect of these periods. These financial statements are available on the Offer website (www.monashivfgroup.com.au). The basis of the Statutory Historical Financial Information is described in this Section 4.2.2 and summarised in Table 16, Table 17, Table 18, Table 26 and Table 27. Certain disclosures in relation to expense categories included in these tables have been reclassified from those disclosed in HEPL's historical financial reports to provide better alignment to Monash Group's internal reporting and consistency across the historical and forecast periods.

The Pro Forma Historical Financial Information has been derived from the statutory historical financial information of HEPL described above. It has been prepared in a manner consistent with the recognition and measurement principles of Australian Accounting Standards, issued by the Australian Accounting Standards Board, which are consistent with IFRS and interpretations issued by the IASB. Pro forma adjustments have been made to reflect the financial performance of Monash Group as if the operating, capital and ownership structure that is expected to be in place on Completion was in place from 1 July 2010, and certain discontinued and non-recurring items have been eliminated; and the financial position of Monash Group as if Completion had occurred on 31 December 2013. The pro forma adjustments are described in Sections 4.3.3, 4.4.1 and 4.5.2 with the Pro Forma Historical Financial Information being set out in Table 10, Table 11, Table 18, Table 22 and Table 23.

Section 4.3.3 reconciles the statutory historical NPAT to the pro forma historical NPAT. Section 4.4.1 reconciles the Statutory Historical Balance Sheet to the Pro Forma Historical Balance Sheet. Section 4.5.2 reconciles the statutory net cash flow after capital expenditures and acquisition of businesses to the pro forma net cash flow after capital expenditures and acquisition of businesses.

Investors should note that past results are not a guarantee of future performance.

4.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information is presented on both a statutory and pro forma basis.

The Forecast Financial Information has been prepared by Monash Group based on an assessment of current economic and operating conditions and on a number of best estimate assumptions regarding future events and actions as set out in Section 4.7. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The Statutory Forecast Financial Information has been prepared on a basis consistent with the Statutory Historical Financial Information in that it has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, issued by the Australian Accounting Standards Board, which are consistent with IFRS and interpretations issued by the IASB and Monash Group's adopted accounting policies.

The Pro Forma Forecast Information has been prepared on a basis consistent with the Pro Forma Historical Financial Information in that it has been prepared in a manner consistent with the recognition and measurement principles of Australian Accounting Standards, issued by the Australian Accounting Standards Board, which are consistent with IFRS and interpretations issued by the IASB. Pro forma adjustments have been made to reflect the financial information of Monash Group as if the new operating, capital and ownership structure that is expected to be in place on Completion was in place for the full year FY2014. The pro forma adjustments are described in Sections 4.3.3, 4.4.1 and 4.5.2. In FY2015, there is no difference between the pro forma and statutory Forecast Financial Information. Accordingly, FY2015 Forecast Financial Information has been presented on a statutory basis only.

Monash Group believes the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

4. Financial Information

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or material negative effect on Monash Group's actual financial performance or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of Monash Group, the Directors and management, and are not reliably predictable. Accordingly, none of Monash Group, the Directors, nor any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will occur.

The Forecast Financial Information should be read in conjunction with the specific assumptions as set out in Section 4.7, the general assumptions as set out in Section 4.7.2, the sensitivity analysis as set out in Section 4.8, the risk factors as set out in Section 5 and other information in this Prospectus.

Monash Group has no intention to update or revise the Forecast Financial Information or other forward looking statements regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.3 Summary consolidated historical and forecast income statements and key operating metrics

4.3.1 Summary consolidated pro forma historical, pro forma forecast and statutory forecast income statements

Table 10 presents the summary Pro Forma Historical Results for FY2011, FY2012 and FY2013, the summary Pro Forma Forecast Results for FY2014 and the summary Statutory Forecast Results for FY2014 and FY2015. Table 11 presents the summary Pro Forma Historical Results for 1H FY2013 and 1H FY2014.

Table 10 Summary Pro Forma Historical Results for FY2011, FY2012 and FY2013, summary Pro Forma Forecast Results for FY2014 and summary Statutory Forecast Results for FY2014 and FY2015

\$ million	Note	Pro Forma Historical Results ⁽¹⁾			Pro Forma Forecast Results ⁽²⁾	Statutory Forecast Results	
		FY2011	FY2012	FY2013	FY2014	FY2014	FY2015
Total revenue		82.5	89.8	96.3	112.1	112.1	130.3
Salary and wages	(3)	(21.7)	(24.5)	(26.7)	(29.9)	(29.9)	(34.8)
Clinicians' fees	(4)	(13.4)	(14.8)	(15.1)	(17.4)	(17.4)	(20.8)
Variable costs	(5)	(6.4)	(6.4)	(7.1)	(11.5)	(11.5)	(12.7)
Fixed costs	(6)	(13.0)	(12.2)	(12.6)	(14.5)	(28.1)	(16.9)
Total expenses		(54.5)	(57.8)	(61.4)	(73.4)	(86.9)	(85.1)
EBITDA		28.0	32.1	34.9	38.8	25.2	45.1
Depreciation and amortisation		(5.4)	(4.0)	(3.7)	(2.8)	(2.8)	(3.5)
EBIT		22.6	28.1	31.3	36.0	22.4	41.6
Net interest expense	(7)	(6.8)	(6.3)	(5.1)	(4.5)	(24.7)	(4.5)
Profit before tax		15.8	21.7	26.1	31.5	(2.3)	37.1
Income tax expense		(4.7)	(6.5)	(7.8)	(9.4)	7.2	(11.1)
NPAT	(8)	11.0	15.2	18.3	22.0	4.9	26.0

4. Financial Information

Notes:

- (1) The pro forma historical NPAT is reconciled to the statutory historical NPAT in Section 4.3.3.
- (2) The pro forma forecast NPAT is reconciled to the statutory forecast NPAT in Section 4.3.3.
- (3) Salary and wages include amounts paid to Monash Group's scientific and support staff, including management, nurses and administrative staff.
- (4) Clinicians' fees include the amounts paid to Monash Group's Doctors to provide the medical component of Assisted Reproductive Services and related treatments.
- (5) Variable costs include medical and laboratory consumable costs, the cost of drugs provided to patients, purchases of donor material, and satellite clinic expenses.
- (6) Fixed costs include occupancy and property costs, information technology and communications expenses, professional fees, marketing and advertising costs as well as bank fees and collections costs. Fixed costs in the FY2014 Statutory Forecast Results include IPO transaction costs expensed of \$11.7 million (refer to Section 4.3.3).
- (7) See description of pro forma adjustments to net interest expense in Section 4.3.3.
- (8) NPAT is from continuing operations and does not present the NPAT attributable to Monash Group's minority interests (refer to Section 4.2.1).

Table 11 Summary Pro Forma Historical Results for 1H FY2013 and 1H FY2014

\$ million	Note	Pro Forma Historical Results ⁽¹⁾	
		1H FY2013	1H FY2014
Total revenue		46.5	57.6
Salary and wages	(2)	(13.1)	(15.0)
Clinicians' fees	(3)	(7.6)	(8.8)
Variable costs	(4)	(3.3)	(5.9)
Fixed costs	(5)	(5.5)	(6.8)
Total expenses		(29.4)	(36.5)
EBITDA		17.1	21.1
Depreciation and amortisation		(1.8)	(1.4)
EBIT		15.3	19.7
Net interest expense		(2.7)	(2.3)
Profit before tax		12.6	17.4
Income tax expense		(3.8)	(5.2)
NPAT	(6)	8.8	12.2

Notes:

- (1) The pro forma historical NPAT is reconciled to the statutory historical NPAT in Section 4.3.3.
- (2) Salary and wages include the amounts paid to Monash Group's scientific and support staff, including management, nurses and administrative staff.
- (3) Clinicians' fees include the amounts paid to Monash Group's Doctors to provide the medical component of Assisted Reproductive Services and related treatments.
- (4) Variable costs include medical and laboratory consumable costs, the cost of drugs provided to patients, purchases of donor material, and satellite clinic expenses.
- (5) Fixed costs include occupancy and property costs, information technology and communications expenses, professional fees, marketing and advertising costs as well as bank fees and collections costs.
- (6) NPAT is from continuing operations and does not present the NPAT attributable to Monash Group's minority interests (refer to Section 4.2.1).

4.3.2 Key operating metrics

Table 12 and Table 13 below provide a summary of Monash Group's key pro forma historical operating metrics for FY2011, FY2012, FY2013, 1H FY2013 and 1H FY2014 derived from the Pro Forma Historical Results, key pro forma forecast operating metrics for FY2014 derived from the Pro Forma Forecast Results and key statutory forecast operating metrics for FY2014 and FY2015 derived from the Statutory Forecast Results, and other operational information of Monash Group for these periods.

4. Financial Information

Table 12 Key pro forma historical operating metrics for FY2011, FY2012 and FY2013, pro forma forecast operating metrics for FY2014 and statutory forecast operating metrics for FY2014 and FY2015

	Note	Pro Forma Historical Results ⁽¹⁾			Pro Forma Forecast Results ⁽²⁾	Statutory Forecast Results	
		FY2011	FY2012	FY2013	FY2014	FY2014	FY2015
Monash Group – Australia							
Number of IVF Cycles		7,996	8,119	8,092	8,565	8,565	10,086
Number of frozen embryo transfers		3,721	3,977	4,139	4,805	4,805	5,525
Total number of Patient Treatments	(3)	11,717	12,096	12,231	13,370	13,370	15,611
Monash Group – International⁽⁴⁾							
Number of IVF Cycles				227	498	498	550
Number of frozen embryo transfers				124	376	376	402
Total number of Patient Treatments	(3)			351	874	874	952
Total Monash Group							
Number of IVF Cycles		7,996	8,119	8,319	9,063	9,063	10,636
Number of frozen embryo transfers		3,721	3,977	4,263	5,181	5,181	5,927
Total number of Patient Treatments	(3)	11,717	12,096	12,582	14,244	14,244	16,563
Number of Patient Treatments in Monash Group's key Australian markets	(5)	31,258	34,070	34,917			
Implied Monash Group market share in Monash Group's key Australian markets – Patient Treatments (%)	(6)	37.5%	35.5%	35.0%			
Number of Fertility Specialists (period end)		55	58	65	76	76	80
Average Total Revenue per IVF Cycle (\$)		10,316	11,065	11,578	12,372		12,249
Salaries and wages as a % of Total Revenue		26.2%	27.2%	27.7%	26.6%		26.7%
Clinicians' fees as a % of Total Revenue		16.3%	16.5%	15.6%	15.5%		16.0%
Pro forma EBITDA growth			14.5%	8.9%	11.0%		16.4%
Pro forma EBITDA margin		33.9%	35.7%	36.3%	34.6%		34.6%
Pro forma EBIT growth			24.4%	11.3%	15.2%		15.7%
Pro forma EBIT margin		27.4%	31.3%	32.4%	32.1%		32.0%
Pro forma NPAT growth			37.8%	20.3%	20.4%		18.0%
Statutory EBITDA growth ⁽⁷⁾			24.7%	16.3%		(31.4%)	
Statutory EBITDA margin ⁽⁷⁾		30.2%	33.7%	38.0%		22.5%	
Statutory EBIT growth ⁽⁷⁾			19.2%	101.4%		(30.2%)	
Statutory EBIT margin ⁽⁷⁾		16.0%	17.1%	33.2%		19.9%	
Statutory NPAT growth ⁽⁷⁾			11.9%	21.5%		138.3%	

Notes:

- (1) The pro forma historical NPAT is reconciled to the statutory historical NPAT in Section 4.3.3.
- (2) The pro forma forecast NPAT is reconciled to the statutory forecast NPAT in Section 4.3.3.
- (3) Represents the combined number of IVF Cycles and frozen embryo transfers performed by Monash Group in each period.
- (4) Monash Group International was established in January 2013. Accordingly, no international Patient Treatments were recorded in FY2011, FY2012 and 1H FY2013. The FY2013 figure is for six months only.
- (5) Represents the combined number of IVF Cycles and frozen embryo transfers in Victoria, South Australia, Queensland and Northern Territory in each period based on Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201, 13202 and 13218.
- (6) Implied Monash Group market share represents the number of Patient Treatments undertaken by Monash Group in Australia in each period divided by the combined number of Patient Treatments in Victoria, South Australia, Queensland and Northern Territory in each period.
- (7) For Statutory EBITDA, EBIT and NPAT figures, refer to Table 16.

4. Financial Information

Table 13 Key pro forma historical operating metrics for 1H FY2013 and 1H FY2014

	Note	Pro Forma Historical Results ⁽¹⁾	
		1H FY2013	1H FY2014
Monash Group Australia			
Number of IVF Cycles		4,151	4,389
Number of frozen embryo transfers		2,109	2,415
Total number of Patient Treatments	(2)	6,260	6,804
Monash Group International⁽³⁾			
Number of IVF Cycles		–	247
Number of frozen embryo transfers		–	186
Total number of Patient Treatments	(2)	–	433
Total Monash Group			
Number of IVF Cycles		4,151	4,636
Number of frozen embryo transfers		2,109	2,601
Total number of Patient Treatments	(2)	6,260	7,237
Number of Patient Treatments in Monash Group's key Australian markets	(4)	18,281	18,686
Implied Monash Group market share in Monash Group's key Australian markets – Patient Treatments (%)	(5)	34.2%	36.4%
Number of Fertility Specialists (period end)		65	73
Average Total Revenue per IVF Cycle (\$)		11,206	12,420
Salaries and wages as a % of Total Revenue		28.1%	26.1%
Clinicians' fees as a % of Total Revenue		16.3%	15.3%
Pro forma EBITDA growth			23.4%
Pro forma EBITDA margin		36.8%	36.7%
Pro forma EBIT growth			29.1%
Pro forma EBIT margin		32.9%	34.3%
Pro forma NPAT growth			38.1%
Statutory EBITDA growth ⁽⁶⁾			(3.6%)
Statutory EBITDA margin ⁽⁶⁾		41.1%	33.0%
Statutory EBIT growth ⁽⁶⁾			3.8%
Statutory EBIT margin ⁽⁶⁾		35.2%	30.5%
Statutory NPAT growth ⁽⁶⁾			178.4%

Notes:

- (1) The pro forma historical NPAT is reconciled to the statutory historical NPAT in Section 4.3.3.
- (2) Represents the number of IVF Cycles and frozen embryo transfers performed by Monash Group in each period.
- (3) Monash Group International was established in January 2013. Accordingly, no international Patient Treatments were recorded in 1H FY2013.
- (4) For 1H FY2013, represents the combined number of Patient Treatments in Victoria, South Australia, Queensland and Northern Territory based on Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201, 13202 and 13218. For 1H FY2014, represents the combined number of Patient Treatments in Victoria, South Australia, Queensland, Northern Territory and the regional market of Albury, New South Wales based on Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201, 13202 and 13218 and data from Monash Group's Albury IVF business.
- (5) Implied Monash Group market share represents the number of Patient Treatments undertaken by Monash Group in Australia in each period divided by the combined number of Patient Treatments outlined in note 4 in each period.
- (6) For Statutory EBITDA, EBIT and NPAT figures, refer to Table 17.

4. Financial Information

4.3.3 Pro forma adjustments to the Statutory Historical Results and Statutory Forecast Results

Table 14 and Table 15 below summarise the pro forma adjustments to statutory historical and statutory forecast NPAT to reflect the operating, capital and ownership structure that will be in place on Completion as if it were in place from 1 July 2010 and to eliminate certain discontinued and non-recurring items.

Table 14 Reconciliation of statutory historical and statutory forecast NPAT to pro forma NPAT for FY2011, FY2012, FY2013 and FY2014

\$ million	Note	Historical Financial Information			Forecast Financial Information
		FY2011	FY2012	FY2013	FY2014
Statutory NPAT		(18.4)	(16.2)	(12.7)	4.9
Incremental costs as a public company	(1)	(0.6)	(0.6)	(0.6)	(0.6)
IPO transaction costs expensed	(2)	–	–	–	11.7
Pre-IPO restructure costs expensed	(3)	–	–	–	2.0
Effect of discontinued operations	(4)	8.3	12.8	(0.2)	0.5
Net interest expense adjustment	(5)	24.3	24.9	29.2	20.2
Other operating adjustments	(6)	1.5	–	–	–
Tax effect	(7)	(4.1)	(5.7)	2.6	(16.7)
Total pro forma adjustments		29.5	31.5	31.0	17.1
Pro forma NPAT	(8)	11.0	15.2	18.3	22.0

Table 15 Reconciliation of statutory historical NPAT to pro forma NPAT for 1H FY2013 and 1H FY2014

\$ million	Note	Historical Financial Information	
		1H FY2013	1H FY2014
Statutory NPAT		(9.7)	7.6
Incremental costs as a public company	(1)	(0.3)	(0.3)
IPO transaction costs expensed	(2)	–	–
Pre-IPO restructure costs expensed	(3)	–	2.0
Effect of discontinued operations	(4)	(1.3)	0.5
Net interest expense adjustment	(5)	17.3	11.3
Other operating adjustments	(6)	–	–
Tax effect	(7)	2.8	(8.9)
Total pro forma adjustments		18.6	4.6
Pro forma NPAT	(8)	8.8	12.2

Notes:

- (1) Incremental costs as a public company – an adjustment has been made to include Monash Group's estimate of the incremental annual costs that it will incur as a public company. This adjustment relates only to incremental costs including share registry fees, non-executive Director remuneration, directors and officers insurance premiums, additional legal costs, additional staff costs, investor relations costs, as well as annual general meeting and annual report costs. Monash Group's administration expenditure has been largely consistent over the historical period and through centralising, IT infrastructure investment and better alignment of its resources, it has been able to support the business and prepare for operating as a listed entity.

4. Financial Information

- (2) IPO transaction costs expensed – total expenses of the Offer are estimated at \$18.2 million, of which \$11.7 million (\$8.2 million net of tax) is expensed in the Statutory Forecast Results for FY2014. The remaining \$6.5 million (\$4.6 million, net of tax) is directly attributable to the issue of Shares under the Offer and hence will be offset against equity raised in the Completion. No IPO transaction costs were incurred in 1H FY2014.
- (3) Pre IPO restructure costs expensed – an adjustment has been made to remove one-off adviser fees of \$2.0 million relating to a restructure of minority interests in subsidiary companies, into interests in the current holding company of Monash Group (HEPL), and refinancing of the existing debt facilities in 2013 which were expensed in FY2014.
- (4) Effect of discontinued operations – an adjustment has been raised to remove the impact of certain discontinued businesses considered non-core by Monash Group, in relation to the hospital, pathology and property businesses disposed of in FY2013.
- (5) Net interest expense adjustment – the net interest expense included in the Statutory Historical Results and Statutory Forecast Results has been adjusted to reflect the anticipated net debt and margins applicable to Monash Group under the terms of the New Banking Facilities following Completion, using base interest rates (BBSY) that prevailed, or are forecast to prevail, during the relevant periods. In addition, in FY2014, an adjustment has been made to remove the one-off costs of \$3.1 million (comprising \$0.5 million in 1H FY2014 and \$2.6 million in 2H FY2014) associated with the write-off of unamortised capitalised borrowing costs and the costs associated with the closing-out of an existing interest rate hedge in the Statutory Historical Results and Statutory Forecast Results relating to the debt structure of Monash Group.
- (6) Other operating adjustments – an adjustment has been made to remove a partial impairment of goodwill in respect of the Repromed business which was expensed in the FY2011 Statutory Historical Results.
- (7) The tax effect numbers in Table 14 represent the difference between (a) the tax effected pro-forma numbers (i.e. pro-formed statutory PBT amounts tax effected by 30%) and (b) the statutory NPAT. In other words, the tax effect is reflective of the movement between the income tax expense in the statutory accounts and the pro-forma income tax expense account. The tax impact of the above adjustments has been reflected as part of this adjustment.
- (8) NPAT is from continuing operations and does not present the NPAT attributable to Monash Group's minority interests (refer to Section 4.2.1).

4.3.4 Summary consolidated statutory historical income statements

Table 16 and Table 17 below present the summary Statutory Historical Results for FY2011, FY2012 and FY2013, as well as 1H FY2013 and 1H FY2014.

Table 16 Summary Statutory Historical Results for FY2011, FY2012 and FY2013

\$ million	Note	Audited Statutory Historical Results ⁽¹⁾		
		FY2011	FY2012	FY2013
Total revenue		83.5	93.2	96.6
Salary and wages	(2)	(24.2)	(27.2)	(27.5)
Clinicians' fees	(3)	(13.4)	(15.4)	(15.1)
Variable costs	(4)	(6.7)	(7.0)	(7.2)
Fixed costs	(5)	(14.0)	(12.1)	(10.1)
Total expenses		(58.3)	(61.8)	(59.9)
EBITDA		25.2	31.5	36.7
Depreciation and amortisation		(11.9)	(15.6)	(4.7)
EBIT		13.4	15.9	32.0
Net interest expense		(31.1)	(31.3)	(34.3)
Profit before tax		(17.8)	(15.4)	(2.3)
Income tax expense		(0.7)	(0.9)	(10.4)
NPAT	(6)	(18.4)	(16.2)	(12.7)

Notes:

- (1) HEPL's historical results have been adopted as Monash Group's statutory historical information. Refer to Section 4.2.2. Certain disclosures in relation to expense categories in this table have been reclassified from that disclosed in HEPL's historical financial reports to provide better alignment to Monash Group's internal reporting and consistency across the historical and forecast periods.
- (2) Salary and wages include the amounts paid to Monash Group's scientific and support staff, including management, nurses and administrative staff.
- (3) Clinicians' fees include the amounts paid to Monash Group's Doctors to provide the medical component of Assisted Reproductive Services and related treatments.
- (4) Variable costs include medical and laboratory consumable costs, the cost of drugs provided to patients, purchases of donor material, and satellite clinic expenses.
- (5) Fixed costs include occupancy and property costs, information technology and communications expenses, professional fees, marketing and advertising costs as well as bank fees and collections costs.
- (6) NPAT is from continuing operations and does not present the NPAT attributable to Monash Group's minority interests (refer to Section 4.2.1).

4. Financial Information

Table 17 Summary Statutory Historical Results for 1H FY2013 and 1H FY2014

\$ million	Note	Reviewed Statutory Historical Results ⁽¹⁾	
		1H FY2013	1H FY2014
Total revenue		48.0	57.6
Salary and wages	(2)	(13.8)	(15.0)
Clinicians' fees	(3)	(7.6)	(8.8)
Variable costs	(4)	(3.4)	(5.9)
Fixed costs	(5)	(3.4)	(8.9)
Total expenses		(28.3)	(38.6)
EBITDA		19.7	19.0
Depreciation and amortisation		(2.8)	(1.4)
EBIT		16.9	17.5
Net interest expense		(20.0)	(13.6)
Profit before tax		(3.1)	3.9
Income tax expense		(6.6)	3.6
NPAT	(6)	(9.7)	7.6

Notes:

- (1) HEPL's historical results have been adopted as Monash Group's statutory historical information. Refer to Section 4.2.2. Certain disclosures in relation to expense categories in this table have been reclassified from that disclosed in HEPL's historical financial reports to provide better alignment to Monash Group's internal reporting and consistency across the historical and forecast periods.
- (2) Salary and wages include the amounts paid to Monash Group's scientific and support staff, including management, nurses and administrative staff.
- (3) Clinicians' fees include the amounts paid to Monash Group's Doctors to provide the medical component of Assisted Reproductive Services and related treatments.
- (4) Variable costs include medical and laboratory consumable costs, the cost of drugs provided to patients, purchases of donor material, and satellite clinic expenses.
- (5) Fixed costs include occupancy and property costs, information technology and communications expenses, professional fees, marketing and advertising costs as well as bank fees and collections costs.
- (6) NPAT is from continuing operations and does not present the NPAT allocated between Monash Group's minority interests and Monash Group (refer to Section 4.2.1).

4.4 Consolidated historical balance sheets, indebtedness and liquidity and capital resources

4.4.1 Consolidated historical balance sheets

Table 18 below sets out the Reviewed Statutory Historical Balance Sheet, the pro forma adjustments that have been made to the Statutory Historical Balance Sheet and the Pro Forma Historical Balance Sheet as at 31 December 2013. The pro forma adjustments reflect the impact of the new operating, capital and ownership structure that will be in place on Completion as if they had occurred or were in place as at 31 December 2013 and the acquisition of Next Generation Fertility as if the acquisition had occurred as at 31 December 2013.

The Pro Forma Historical Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of Monash Group's view on its future financial position.

Current liabilities exceed current assets in Monash Group's Pro Forma Historical Balance Sheet. This reflects the nature of Monash Group's working capital requirements outlined in Section 4.6.1.5. Monash Group expects that it will have sufficient cash to fund its operational requirements and business needs following Completion and through the period of the Forecast Financial Information having regard to the Pro Forma and Statutory Forecast Cash Flows (as outlined in Section 4.5) and access to undrawn funds of \$9.0 million for working capital and other general corporate purposes (as outlined in Sections 4.4.4 and 9.3). Refer also to the discussion on liquidity and capital resources in Section 4.4.4.

4. Financial Information

Table 18 Statutory Historical Balance Sheet, pro forma adjustments and Pro Forma Historical Balance Sheet as at 31 December 2013⁽¹⁾

As at 31 December 2013; \$ million	Note	Reviewed Statutory Historical Balance Sheet	Impact of the Offer, New Banking Facilities and Pre-IPO Dividend ⁽¹⁾	Impact of Next Generation Fertility acquisition ⁽¹⁾	Pro Forma Historical Balance Sheet
Current assets					
Cash and cash equivalents	(2)	35.2	(35.0)	(3.6)	(3.4)
Trade and other receivables	(3)	3.8	0.9	0.3	5.0
Inventories		0.9	–	–	0.9
Other current assets	(4)	1.2	–	0.1	1.3
Total current assets		41.1	(34.1)	(3.2)	3.8
Non-current assets					
Intangibles	(5)	215.9	–	4.2	220.1
Fixed assets	(4)	7.7	–	0.8	8.5
Other non-current assets	(6)	2.0	(1.7)	0.5	0.7
Total non-current assets		225.6	(1.7)	5.5	229.4
Total assets		266.7	(35.8)	2.3	233.2
Current liabilities					
Trade and other payables	(4)	(16.6)	–	(0.5)	(17.1)
Employee benefits	(4)	(5.0)	–	(0.2)	(5.2)
Current tax liabilities		(0.5)	0.8	0.1	0.4
Borrowings	(7)	(10.7)	10.7	–	0.0
Total current liabilities		(32.8)	11.5	(0.6)	(21.9)
Non-current liabilities					
Deferred tax liabilities	(8)	(2.9)	5.5	0.1	2.7
Employee benefits	(4)	(0.6)	–	(0.1)	(0.7)
Borrowings	(7)	(195.1)	99.5	–	(95.6)
Total non-current liabilities		(198.6)	104.9	–	(93.7)
Total liabilities		(231.4)	116.5	(0.6)	(115.6)
Net assets					
Contributed equity	(9)	160.5	123.1	1.7	285.4
Reserves		–	–	–	–
Retained earnings	(10)	(125.6)	(42.2)	–	(167.8)
Minority interests	(11)	0.3	(0.3)	–	–
Total equity		35.2	80.6	1.7	117.6

4. Financial Information

Notes:

- (1) The pro forma adjustments have been separately disclosed as those directly related to the Offer, New Banking Facilities and Pre-IPO Dividend, and those relating to the acquisition of Next Generation Fertility which completed in 2H FY2014, to illustrate separately the impact of each.
- (2) Cash decreases by \$38.6 million as a result of the receipt of cash proceeds from the Offer (\$112.8 million), drawdown under the New Banking Facilities (\$96.0 million), and proceeds from the repayment of HEPL shareholder loans (\$2.1 million), offset by the repayment of existing debt facilities and other related party interest bearing liabilities (\$200.7 million), costs of the New Banking Facilities (\$0.4 million), payment of a Pre-IPO Dividend (\$25.2 million), acquisition of Next Generation Fertility (\$3.6 million) and costs of the Offer (\$19.6 million (\$18.4 million net of GST recoverable)). While pro forma cash and cash equivalents is \$(3.4) million in the Pro Forma Historical Balance Sheet as at 31 December 2013, Monash Group expects that cash flow from operations (net of the Pre-IPO Dividend) between 31 December 2013 and Completion will generate a cash balance of \$1.0 million at Completion. Refer to Section 4.4.4 for a reconciliation of these two amounts.
- (3) The movement relates to additional GST receivables (\$1.2 million) related to IPO costs, net of \$0.3 million received on current HEPL shareholder loans, and acquired receivables of Next Generation Fertility (\$0.3 million).
- (4) The movement relates to the acquisition of the identifiable assets and liabilities of Next Generation Fertility.
- (5) Intangibles relate to goodwill recognised on the historical acquisition of businesses (primarily Monash IVF and Repromed), as well as Monash Group's software assets. The increase in intangibles is due to the acquisition of Next Generation Fertility and represents the difference between the net book value and the consideration paid based on the provisional purchase price accounting. It is proposed that fair value accounting will be undertaken in relation to this acquisition in accordance with AASB 3 'Business Combinations' which may give rise to a different determination of intangible assets at 30 June 2014. Refer to Section 4.2.2 for additional commentary.
- (6) The movement relates to receipt of outstanding non-current HEPL shareholder loans (\$1.8 million), offset by the issuance of new shareholder loans to Doctors as a result of the Next Generation Fertility acquisition (\$0.5 million). Refer to Section 6.7.1.
- (7) Current and non-current borrowings will decrease by \$110.2 million on drawdown of the New Banking Facilities (\$96.0 million gross), net of the costs of the New Banking Facilities to be capitalised as non-current borrowing costs (\$0.4 million). These proceeds are offset by the redemption of the Preference Shares and Promissory Notes (\$36.4 million), repayment of the commercial loan (\$172.0 million), partially offset by the non-cash write-off of unamortised capitalised borrowing costs (\$2.5 million), and the existing interest rate hedges (\$0.1 million). Monash Group has an additional \$0.9 million of bank guarantees in relation to leasehold properties as at 8 May 2014.
- (8) Deferred tax assets resulting from the costs of the Offer.
- (9) Contributed equity increases by \$124.8 million as a result of the portion of the proceeds of the Offer which is received by Monash IVF Group Limited through the issue of Shares (\$112.8 million), the conversion of mandatory redeemable preference shares issued by HEPL into ordinary shares (\$7.7 million), issue of Shares as a result of acquiring the remaining non-controlling interest in KL Fertility (\$7.2 million), and the issuance of shares in HEPL as part consideration for the Next Generation Fertility acquisition as well as issuance of HEPL shares to certain Next Generation Fertility doctors (\$1.7 million), offset by the after tax IPO transaction costs (\$4.6 million) related to the issue of Shares applied against equity.
- (10) Reduction in retained earnings of \$42.2 million reflects the proportion of total expenses of the Offer expensed in the FY2014 Statutory Forecast Results (\$8.3 million net of tax), write-off of unamortised capitalised borrowing costs for debt facilities repaid (\$1.8 million net of tax), and the impact of acquiring the remaining non-controlling interest in KL Fertility (\$6.9 million), and payment of a Pre-IPO Dividend (\$25.2 million).
- (11) Retained earnings attributable to minority interests are reclassified to retained earnings after the acquisition of the remaining interest in KL Fertility.

4.4.2 Impact of the Offer and changes in capital structure

In conjunction with the Offer, Monash Group will issue new Shares, draw down on its New Banking Facilities (described in Section 4.4.4) and receive payment for outstanding HEPL shareholder loans. Proceeds from the foregoing, together with available cash, will be used to fund:

- + amounts owing by Monash Group under debt facilities and associated hedges in place immediately prior to Completion;
- + the redemption amounts for the Preference Shares and Promissory Notes immediately prior to Completion, including accrued interest;
- + establishment costs in respect of New Banking Facilities;
- + payment of the Pre-IPO Dividend; and
- + costs of the Offer.

Further information on the sources and uses of funds of the Offer and the New Banking Facilities is contained in Sections 4.4.4 and 9.3.

Note: Section 4.4.3 and Table 19 have not been used.

4. Financial Information

4.4.4 Indebtedness

Table 20 below sets out the indebtedness of Monash Group as at 31 December 2013 on a Statutory and Pro Forma Basis, and expected indebtedness as at Completion. This information is extracted from the Statutory Historical Balance Sheet, the Pro Forma Historical Balance Sheet and the Pro Forma and Statutory Forecast Cash Flows.

Table 20 Statutory and pro forma consolidated indebtedness

		Statutory Monash Group	Pro Forma Monash Group
		Reviewed 31 December 2013 (before Completion)	31 December 2013 (including impact of the Offer and New Banking Facilities ⁽¹⁾)
\$ million	Note		
Cash and cash equivalents	(2)	35.2	(3.4)
Current borrowings	(3)	(13.2)	–
Non-current borrowings	(3)	(195.1)	(96.0)
Net total indebtedness		(173.1)	(99.4)
Net debt/FY2014 pro forma EBITDA			2.6×
Net debt/FY2015 pro forma EBITDA			2.2×

Notes:

- (1) A summary of the New Banking Facilities is contained in Section 9.3.
- (2) Pro forma cash and cash equivalents as at 31 December 2013 is based on the Pro Forma Historical Balance Sheet in Section 4.4.1.
- (3) Current and non-current borrowings excludes capitalised transaction costs which are presented net against borrowings in the Historical and Pro Forma Historical Balance Sheet.

4. Financial Information

4.4.5 Liquidity and capital resources

Following Completion, Monash Group's principal sources of funds will be cash flow from operations and borrowings under the New Banking Facilities noted in Section 9.3.

The majority of Monash Group's expected capital expenditure relates to expenditure on software and clinical patient information systems, laboratory and scientific equipment and the establishment of new clinics. Monash Group's historical and forecast capital expenditure and working capital trends are set out in Sections 4.6 and 4.7.

Monash Group has put in place New Banking Facilities to assist with the repayment of the existing debt, and to provide for the anticipated funding needs of Monash Group post Completion. \$96.0 million of the \$105.0 million New Banking Facilities will be drawn down at Completion. Following Completion, Monash Group will have undrawn funds of approximately \$9 million to use for working capital and other general corporate purposes. Monash Group expects that it will have sufficient operating cash flow and funding from its New Banking Facilities to fund its operational requirements and business needs through the period of the Forecast Financial Information.

Monash Group has historically hedged a portion of its interest rate risk and the Board has established a hedging policy in respect of interest rate risk under which a proportion of interest rate risk exposure under the New Banking Facilities would be hedged.

The Forecast Financial Information has been prepared on the basis that Monash Group hedges 50% of the total New Banking Facilities.

Monash Group earns part of its revenue and incurs part of its expenses and holds assets and liabilities in Malaysian Ringgit and as such can be exposed to foreign currency risks. Monash Group currently has a policy of not hedging its foreign currency exposure due to the relative contribution to earnings and the level of variability in the Australian dollar/Malaysian Ringgit exchange rate. The average exchange rate assumed in each period is set out in Table 21.

Table 21 Assumed average exchange rate in historical and forecast periods

	Historical period	Forecast periods	
	2H FY2013	FY2014	FY2015
MYR/AUD			
Average exchange rate during the period	3.12	2.92	2.92

4.5 Consolidated historical and forecast cash flows

4.5.1 Consolidated pro forma historical, pro forma forecast and statutory forecast cash flow statements

Monash Group has a track record of strong cash flow generation, converting a high proportion of EBITDA to operating free cash flow after capital expenditure. Monash Group has had low capital expenditure requirements and modest increases in working capital as the business has grown. Table 22 and Table 23 set out the Pro Forma Historical Cash Flows for FY2011, FY2012, FY2013, 1H FY2013 and 1H FY2014, the Pro Forma Forecast Cash Flows for FY2014 and the Statutory Forecast Cash Flows for FY2014 and FY2015.

4. Financial Information

Table 22 Pro Forma Historical Cash Flows for FY2011, FY2012 and FY2013, Pro Forma Forecast Cash Flows for FY2014 and Statutory Forecast Cash Flows for FY2014 and FY2015

\$ million	Note	Pro Forma Historical Cash Flows ⁽¹⁾			Pro Forma Forecast Cash Flows ⁽²⁾	Statutory Forecast Cash Flows	
		FY2011	FY2012	FY2013	FY2014	FY2014	FY2015
EBITDA	(3)	28.0	32.1	34.9	38.8	25.2	45.1
Change in working capital		0.8	2.9	0.4	1.0	(1.5)	0.3
Operating free cash flow before capital expenditure and acquisitions of businesses		28.8	34.9	35.3	39.8	23.7	45.4
Capital expenditure		(1.4)	(2.0)	(3.2)	(5.5)	(5.5)	(4.9)
Acquisitions of businesses	(4)	–	–	(4.2)	(10.2)	(10.2)	(0.4)
Operating free cash flow after capital expenditure and acquisitions of businesses		27.4	32.9	27.9	24.1	8.0	40.2
Net interest paid					(4.4)	(43.3)	(4.4)
Income tax paid					(8.8)	(1.9)	(4.2)
Repayment of existing financing						(170.0)	–
Repayment of mandatory redeemable preference shares issued by HEPL						(31.1)	–
Proceeds from the New Banking Facilities						96.0	–
Cost of New Banking Facilities						(0.6)	–
Proceeds from issue of Shares						112.8	–
IPO transaction costs (capitalised to equity)						(6.5)	–
Acquisition of minority interests						(1.3)	–
Receipt of HEPL shareholder loans						2.0	–
Net proceeds from 1H FY2014 refinancing						23.6	–
Other cash flows						(1.0)	
Net cash flow before dividends	(5)				10.9	(13.3)	31.6
Dividends paid						(25.2)	(8.3)
Net cash flow						(38.5)	23.3

Notes:

- (1) The pro forma historical operating free cash flow after capital expenditure and acquisitions of businesses is reconciled to the statutory historical operating free cash flow after capital expenditure and acquisitions of businesses in Section 4.5.2.
- (2) The pro forma forecast operating free cash flow after capital expenditure and acquisitions of businesses is reconciled to the statutory forecast operating free cash flow after capital expenditure and acquisitions of businesses in Section 4.5.2.
- (3) The pro forma EBITDA has been adjusted to reflect the pro forma adjustments to the Statutory Historical Results and Statutory Forecast Results set out in Section 4.3.3, with the exception of adjustments to debt structure, amortisation and income tax effects as these adjustments do not impact pro forma EBITDA.
- (4) Cash paid for acquisitions relates to the acquisitions of KL Fertility, Albury IVF and Next Generation Fertility. No cash payments were made for FY2012 acquisitions as the consideration for those acquisitions was through the issue of shares.
- (5) The FY2014 Pro Forma Forecast Cash Flows exclude the cash flows in respect of the Offer.

4. Financial Information

Table 23 Pro Forma Historical Cash Flows for 1H FY2013 and 1H FY2014

\$ million	Note	Pro Forma Historical Cash Flows ⁽¹⁾	
		1H FY2013	1H FY2014
EBITDA	(2)	17.1	21.1
Change in working capital		(0.8)	(0.9)
Operating free cash flow before capital expenditure and acquisitions of businesses		16.3	20.3
Capital expenditure		(0.9)	(2.2)
Acquisitions of businesses		(3.1)	(4.0)
Operating free cash flow after capital expenditure and acquisitions of businesses		12.3	14.1

Notes:

- (1) The pro forma operating free cash flow after capital expenditure and acquisitions is reconciled to the statutory operating free cash flow after capital expenditure and acquisitions in Section 4.5.2.
- (2) Pro forma EBITDA above has been adjusted to reflect the pro forma adjustments to the statutory historical NPAT and statutory forecast NPAT set out in Section 4.3.3, with the exception of adjustments to debt structure, amortisation and income tax effects as these adjustments do not impact pro forma EBITDA.

4.5.2 Pro forma adjustment to Statutory Historical Cash Flows and Statutory Forecast Cash Flows

Table 24 and Table 25 below set out the adjustments to the Statutory Historical Cash Flows and the Statutory Forecast Cash Flows to reflect the full year impact of the new operating and ownership structure that will be in place following Completion as if it were in place as at 1 July 2010 and to eliminate certain discontinued operations and non-recurring items.

Table 24 Reconciliation of statutory historical and statutory forecast cash flow to pro forma historical cash flows for FY2011, FY2012, FY2013 and FY2014

\$ million	Note	Historical			Forecast
		FY2011	FY2012	FY2013	FY2014
Statutory net operating free cash flow after capital expenditure and acquisition of businesses	(1)	5.1	30.7	29.1	8.0
Incremental costs as a public company	(2)	(0.6)	(0.6)	(0.6)	(0.6)
Pre-IPO restructure costs expensed	(3)	–	–	–	2.0
Effect of discontinued operations, including working capital adjustment	(4)	1.9	2.0	(0.7)	0.6
Capital expenditure relating to the discontinued operations	(5)	21.0	0.8	0.1	0.0
IPO transaction costs (from operating cash flow)		–	–	–	12.9
Other cash flow items		–	–	–	1.2
Total pro forma adjustments		22.3	2.2	(1.2)	16.1
Pro forma net operating free cash flow after capital expenditure and acquisition of businesses		27.4	32.9	27.9	24.1

4. Financial Information

Notes:

- (1) Statutory operating free cash flow after capital expenditure and acquisition of businesses – the FY2014 Statutory Forecast Cash Flows include the IPO costs expensed in the FY2014 statutory forecast, refer to Section 4.3.3.
- (2) Incremental costs as a public company – the cash flow impact of incremental annual costs that will be incurred as a public company. These adjustments relate only to incremental costs including share registry fees, non-executive Director remuneration, directors and officers insurance premiums, additional legal costs, additional staff costs, investor relations costs, as well as annual general meeting and annual report costs. Monash Group's administration expenditure has been largely consistent over the historical period and through centralising, IT infrastructure investment and better alignment of its resources, it has been able to support the business and prepare for operating as a listed entity.
- (3) Pre-IPO restructure costs expensed – the cash flow impact of adviser fees of \$2.0 million relating to a restructure of minority interests in subsidiary companies into interests in the current holding company of Monash Group (HEPL), and refinancing of the existing debt facilities in 2013 which were expensed in the Statutory Historical Results.
- (4) Effect of discontinued operations, including working capital adjustment – an adjustment has been made to remove the impact of certain discontinued businesses, considered non-core by Monash Group, in relation to the Hawthorn maternity hospital, pathology and property ownership disposed of in FY2013.
- (5) Capital expenditure relating to the discontinued operations – this adjustment removes the capital expenditures made during the historical period for the discontinued operations described in note 4.

Table 25 Reconciliation of statutory historical cash flows to pro forma cash flows for 1H FY2013 and 1H FY2014

\$ million	Note	Historical	
		1H FY2013	1H FY2014
Statutory operating free cash flow after capital expenditure and acquisition of businesses		13.5	11.7
Incremental costs as a public company	(1)	(0.3)	(0.3)
Pre-IPO restructure costs expensed	(2)	–	2.0
Effect of discontinued operations, including working capital adjustment	(3)	(0.9)	0.7
Capital expenditure relating to the discontinued operations	(4)	0.1	–
Total pro forma adjustments		(1.1)	2.4
Pro forma operating free cash flow after capital expenditure and acquisition of businesses		12.3	14.1

Notes:

- (1) Incremental costs as a public company – the cash flow impact of incremental annual costs that will be incurred as a public company. These adjustments relate only to incremental costs including share registry fees, non-executive Director remuneration, directors and officers insurance premiums, additional legal costs, additional staff costs, investor relations costs, as well as annual general meeting and annual report costs. These costs are incremental to increases in senior management remuneration and expansion of group head office functions Monash Group has implemented in FY2014 ahead of Completion in anticipation of becoming a listed entity.
- (2) Pre-IPO restructure costs expensed – the cash flow impact of adviser fees of \$2.0 million, relating to a restructure of minority interests in subsidiary companies into interests in the current holding company of Monash Group (HEPL), and refinancing of the existing debt facilities in 2013 which were expensed in the Statutory Historical Results.
- (3) Effect of discontinued operations, including working capital adjustment – an adjustment has been made to remove the impact of certain discontinued businesses, considered non-core by Monash Group, in relation to the hospital, pathology and property businesses disposed of in FY2013.
- (4) Capital expenditure relating to the discontinued operations – this adjustment removes the capital expenditures made during the historical period for the discontinued operations described in note 3.

4. Financial Information

4.5.3 Consolidated statutory historical cash flow statements

Table 26 and Table 27 below present the Statutory Historical Cash Flows for FY2011, FY2012 and FY2013, as well as 1H FY2013 and 1H FY2014.

Cash flow from financing and tax is not shown in the statutory cash flow tables below as the historical capital structure to which this relates is not reflective of the capital structure of Monash Group following Completion.

Table 26 Statutory Historical Cash Flows for FY2011, FY2012 and FY2013

\$ million	Note	Statutory Historical Cash Flows		
		FY2011	FY2012	FY2013
EBITDA		25.2	31.5	36.7
Other non-operating cash flow items	(1)	0.4	(1.2)	(1.6)
Change in working capital		1.9	3.3	1.5
Operating free cash flow before capital expenditure and acquisition of businesses		27.5	33.6	36.6
Capital expenditure		(22.4)	(2.9)	(3.3)
Acquisition of businesses				(4.2)
Operating free cash flow after capital expenditure and acquisition of businesses		5.1	30.7	29.1

Note:

- (1) Non-operating cash flow items in FY2011 relate to the loss on sale of an investment in an associate. Non-operating cash flow items in FY2012 relate to the profit on sale of an investment in an associate. Non-operating cash flow items in FY2013 relate to gains/losses on the sale of property, plant and equipment.

Table 27 Statutory Historical Cash Flows for 1H FY2013 and 1H FY2014

\$ million	Note	Statutory Historical Cash Flows	
		1H FY2013	1H FY2014
EBITDA		19.7	19.0
Other non-operating cash flow items	(1)	(1.9)	–
Change in working capital		(0.3)	(1.1)
Operating free cash flow before capital expenditure and acquisition of businesses		17.5	17.9
Capital expenditure		(0.9)	(2.2)
Acquisition of businesses		(3.1)	(4.0)
Operating free cash flow after capital expenditure and acquisition of businesses		13.5	11.7

Note:

- (1) Non-cash items in 1H FY2013 relate to gains on the sale of property, plant and equipment.

4. Financial Information

4.6 Management discussion and analysis of Historical Financial Information

4.6.1 General factors affecting the operating results of Monash Group

Below is a discussion of the main factors which affected Monash Group's operations and relative financial performance in FY2011, FY2012, FY2013, 1H FY2013 and 1H FY2014 and which Monash Group expects may continue to affect it in the future.

The discussion of those general factors is intended to provide a brief summary only and does not detail all factors that affected Monash Group's historical operating and financial performance, nor everything which may affect Monash Group's operations and financial performance in the future.

4.6.1.1 Number of Patient Treatments

The majority of the revenue of Monash Group is from Assisted Reproductive Services or activities associated with this. The number of IVF Cycles or frozen embryo transfers provided by Monash Group is a key driver of revenue. The majority of Patient Treatments relate to an IVF Cycle with the remaining involving patients undertaking a frozen embryo transfer.

The number of Patient Treatments provided may depend on a range of factors including:

- + demand for Patient Treatments in the markets in which Monash Group operates;
- + Monash Group's ability to attract patients and referrals from general practitioners and other medical specialists in the markets in which it operates (which relies in part on Monash Group's marketing activities and available technologies for patient services);
- + the rate at which patients who undertake a consultation with a Monash Group Fertility Specialist decide to proceed with a Patient Treatment (which relies in part on the number of and availability of Monash Group Fertility Specialists); and
- + the level of cost reimbursement received by patients for a Patient Treatment from the Commonwealth Government.

Monash Group has experienced growth in the number of Patient Treatments it provides as a result of growing demand for Assisted Reproductive Services (underpinned by factors outlined in Section 2.4), opening new clinics and clinic acquisitions.

Notwithstanding the long-term growth in the number of Patient Treatments in Australia, growth in the number of Patient Treatments has historically varied over short-term periods. Variability in the historic growth in Patient Treatments in individual states over short-term periods may be attributable to several factors including changes in local economic conditions, regulatory changes and other factors affecting specific regional markets.

Monash Group monitors the number of new patient registrations in its business as a leading indicator of Patient Treatment activity. Monash Group has experienced an increase in the growth of new patient registrations over 1H FY2014 in most of its businesses. Monash Group has historically experienced new patient registrations resulting in IVF Cycles three to five months later.

4.6.1.2 Acquisitions and new clinics

Monash Group has established a track record for expanding its clinic network through acquisitions and new clinic openings. Past acquisitions have comprised clinic groups offering Assisted Reproductive Services in locations in which Monash Group did not operate or clinic groups offering ultrasound services in locations that strengthen Monash Group's position in markets in which it already competes. Table 28 below provides a summary of Monash Group's clinic acquisitions and major new clinic openings from 1 July 2010 to 31 December 2013.

Table 28 Past clinic acquisitions by Monash Group from 1 July 2010 to 31 December 2013

Date	Clinic acquisition or new opening	Location	Services provided
July 2011	Private obstetrics and gynaecology ultrasound business (acquisition)	Melbourne, Victoria	Ultrasound services
January 2013	KL Fertility (acquisition)	Kuala Lumpur, Malaysia	Assisted Reproductive Services
July 2013	Albury IVF (acquisition)	Albury, New South Wales	Assisted Reproductive Services
July 2013	Ultrasound clinic (new clinic opening)	Melbourne, Victoria	Ultrasound services

4. Financial Information

The financial contribution of acquired clinics has been incorporated into the pro forma consolidated income statements from the date on which Monash Group took control of these businesses. Given the respective dates of these acquisitions, they have typically made a part-year financial contribution to Monash Group's pro forma consolidated income statement in the financial year in which they were acquired and then a full-year financial contribution in the subsequent financial years.

4.6.1.3 Revenue

Revenue is generated by Monash Group through the provision of three main services:

- + Core Assisted Reproductive Services – which is a function of the number of Patient Treatments and other associated forms of fertility treatments provided to patients, the price charged by Monash Group for each service and the mix of services undertaken by patients.
- + Diagnostic and ancillary services – which largely involves the provision of fertility related diagnostic testing used by patients who are undertaking Assisted Reproductive Services treatments with Monash Group. The key drivers of this revenue stream are:
 - the number of tests undertaken (impacted by the number of Patient Treatments as well as usage of such tests by Fertility Specialists, patients and other medical specialists); and
 - the average revenue per test (impacted by the mix of tests used and price charged per test).
- + Ultrasound services – which are a function of the number of obstetric and gynaecological ultrasound testing services provided, the price charged per testing service and the mix of services undertaken by patients. The number of obstetric and gynaecological ultrasound testing services provided is impacted by the number of women successfully conceiving a pregnancy or experiencing gynaecological problems who choose to undertake related ultrasound services with Monash Group.

A breakdown of Monash Group's different revenue streams for FY2013 is provided in the table below.

Table 29 Pro forma revenue breakdown for FY2013

\$ million	Pro Forma Historical Results	
	FY2013	Percentage ⁽¹⁾
Core Assisted Reproductive Services revenue	77.9	80.8%
Diagnostic and ancillary services revenue	13.4	13.9%
Ultrasound revenue	5.1	5.3%
Total revenue	96.3	100.0%

Note:

(1) The pro forma revenue breakdown for FY2013 is largely consistent with both the historical revenue split and expected revenue breakdown over the forecast period.

Monash Group monitors Average Total Revenue per IVF Cycle as a key operating metric given the majority of its revenue is generated from Assisted Reproductive Services. Average Total Revenue per IVF Cycle is driven by the price Monash Group charges for each of its services as well as the mix of all of the services outlined above divided by the number of IVF Cycles provided during the period. Monash Group has increased the price of its services and seen growth in the number of frozen embryo transfers and PGD and PGS testing services undertaken by patients, which has resulted in growing Average Total Revenue per IVF Cycle. Monash Group's Average Total Revenue per IVF Cycle is recorded in Table 12 in Section 4.3.2.

4.6.1.4 Expenses

Salaries and wages

Salaries, wages and other employment costs for nursing, scientific, administrative and management staff employed by Monash Group. Salaries and wages are primarily fixed in nature in the short term, albeit with some ability to adjust headcount and nurse and clinic administrative rosters if the number of Patient Treatments materially increase or decrease, and some variability depending on leave taken and public holidays. Monash Group's employment relationship with its nursing, administration and scientific staff is governed by relevant awards, individual employment agreements and enterprise bargaining agreements.

4. Financial Information

Clinicians' fees

Fees, salaries and wages paid by Monash Group to its Doctors under the terms of their respective contracts and employment agreements. For contracted Doctors, the majority of fees are paid as a professional fee per service or procedure performed by a Doctor at Monash Group's clinics and therefore vary by direct reference to the number of Patient Treatments provided by those Doctors. The fees per service or procedure are reviewed annually and typically move in line with changes in Monash Group's prices. For employed Doctors, salaries and wages are paid as full time equivalent salary based on the number of hours worked per week for Monash Group.

Variable costs

Includes medical and laboratory consumable costs, the cost of drugs provided to patients, purchases of donor material, and satellite clinic expenses. Monash Group defines these as variable costs because they are primarily incurred for providing Patient Treatments and the total size of the expense will vary depending on the number of Patient Treatments provided.

Fixed costs

Includes occupancy and property costs, information technology and communications expenses, marketing and advertising costs as well as bank fees and collections costs. Monash Group defines these as fixed costs because they are typically incurred notwithstanding the number of Patient Treatments provided.

4.6.1.5 Working capital

Monash Group operates with a relatively small trade and other receivable and inventory balance, and larger trade and other payables balance (which includes pre-paid income from patients). Therefore, changes in working capital are primarily driven by movement in trade and other payables.

- + Trade and other receivables are relatively small because patients typically make payment for their services ahead of receiving those services from Monash Group. This results in a low amount of trade receivables.
- + Trade and other payables include pre-paid income from patients as well as payments to Doctors, employees and other suppliers. Movements in trade and other payables are largely driven by movement in pre-paid income. Pre-paid income is a result of patients paying a portion of fees upfront at the commencement of a Patient Treatment. As a result, the number of Patient Treatments commenced in the month prior to the balance sheet date will impact the level of trade and other payables in the balance sheet.

4.6.1.6 Capital expenditures

Monash Group's capital expenditure primarily relates to expenditure on software and clinical patient management systems, laboratory and scientific equipment and the establishment of new clinics.

4.6.1.7 Acquisitions of businesses

Acquisitions of businesses relate to the cash payments Monash Group has made in each period for the acquisition of clinics and businesses.

4. Financial Information

4.6.2 Pro forma consolidated income statements: FY2012 compared to FY2011

Table 30 below sets out the summary pro forma consolidated historical income statements and selected key performance indicators for FY2011 and FY2012.

Table 30 Summary pro forma consolidated historical income statements and key performance indicators: FY2012 compared to FY2011

\$ million (unless otherwise stated)	Note	Pro Forma Historical Results ⁽¹⁾		
		FY2011	FY2012	% Change
Total revenue		82.5	89.8	8.9%
Salary and wages	(2)	(21.7)	(24.5)	13.0%
Clinicians' fees	(3)	(13.4)	(14.8)	10.0%
Variable costs	(4)	(6.4)	(6.4)	(1.2)%
Fixed costs	(5)	(13.0)	(12.2)	(6.2)%
Total expenses		(54.5)	(57.8)	6.0%
EBITDA		28.0	32.1	14.5%
Depreciation and amortisation		(5.4)	(4.0)	(26.6)%
EBIT		22.6	28.1	24.4%
Net interest expense		(6.8)	(6.3)	(6.8)%
Profit before tax		15.8	21.7	37.8%
Income tax expense		(4.7)	(6.5)	37.8%
NPAT		11.0	15.2	37.8%
Summary key performance indicators				
Monash Group Australia				
Number of IVF Cycles		7,996	8,119	1.5%
Number of frozen embryo transfers		3,721	3,977	6.9%
Number of Monash Group Patient Treatments		11,717	12,096	3.2%
Monash Group International⁽⁶⁾				
Number of IVF Cycles		–	–	–
Number of frozen embryo transfers		–	–	–
Number of Monash Group Patient Treatments		–	–	–
Total Monash Group				
Number of IVF Cycles		7,996	8,119	1.5%
Number of frozen embryo transfers		3,721	3,977	6.9%
Total number of Monash Group Patient Treatments		11,717	12,096	3.2%
Number of Patient Treatments in Monash Group's key Australian markets	(7)	31,258	34,070	9.0%
Implied Monash Group market share in Monash Group's key Australian markets – Patient Treatments (%)	(8)	37.5%	35.5%	
Number of Fertility Specialists (period end)		55	58	5.5%
Average Total Revenue per IVF Cycle (\$)		10,316	11,065	7.3%

4. Financial Information

Notes:

- (1) The Pro Forma Historical Results are reconciled to the Statutory Historical Results in Section 4.3.3.
- (2) Salary and wages include the amounts paid to Monash Group's scientific and support staff, including management, nurses and administrative staff.
- (3) Clinicians' fees include the amounts paid to Monash Group's Doctors to provide the medical component of Assisted Reproductive Services and related treatments.
- (4) Variable costs include medical and laboratory consumable costs, the cost of drugs provided to patients, purchases of donor material, satellite clinic expenses and motor vehicle expenses.
- (5) Fixed costs include occupancy and property costs, information technology and communications expenses, professional fees, marketing and advertising costs as well as bank fees and collections costs.
- (6) Monash Group International was established in January 2013. Accordingly, no international Patient Treatments were recorded in FY2011, FY2012 and 1H FY2013.
- (7) Represents the combined number of Patient Treatments in Victoria, South Australia, Queensland and Northern Territory in each period based on Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201, 13202 and 13218.
- (8) Implied Monash Group market share represents the number of Patient Treatments undertaken by Monash Group in Australia in each period divided by the number of Patient Treatments in Victoria, South Australia, Queensland and Northern Territory in each period.

4.6.2.1 Revenue

Total revenue grew 8.9% to \$89.8 million in FY2012. This was primarily due to an increase in core Assisted Reproductive Services revenue which was underpinned by steady growth in Patient Treatments, an increase in the price of Assisted Reproductive Services and the acquisition of a private obstetric and gynaecology ultrasound business in Melbourne.

A summary of the key factors affecting Monash Group's revenue growth in FY2012 is outlined below:

- + the number of Patient Treatments provided by Monash Group increased 3.2%, reflecting steady growth in Victoria and Queensland, partially offset by weaker trading conditions in South Australia. In Victoria, Monash Group saw strong growth in frozen embryo transfers and moderate growth in IVF Cycles. Growth in frozen embryo transfers followed historical enhancements to its vitrification process leading to increasing success rates which encouraged greater customer utilisation of frozen embryos. In South Australia, Monash Group also experienced strong growth in frozen embryo transfers despite experiencing increased competition. Monash Group's share of Patient Treatments in its key Australian states declined because other participants captured a greater share of strong market growth in Victoria, primarily as a result of introducing the then latest PGS/PGD technology ahead of Monash Group. This period also saw the establishment of a new clinic in South Australia by another Australian Assisted Reproductive Services provider;
- + ultrasound revenue increased as Monash Group experienced growing patient demand for testing services in its existing clinics and completed a merger with a major clinic in the Melbourne market to enhance its competitive position. The merger of the private obstetric and gynaecology ultrasound business was completed in July 2011 and as such, made an 11 month contribution to Monash Group's FY2012 Pro Forma Historical Result but did not make a contribution to Monash Group's FY2011 Pro Forma Historical Result; and
- + Average Total Revenue per IVF Cycle increased 7.3%, reflecting an increase in the price of services provided by Monash Group, growth in frozen embryo transfers and growth in ultrasound revenue.

Diagnostic and ancillary services revenue fell as a result of outsourcing blood testing arrangements that resulted in Monash Group no longer invoicing or recording revenue for such services as the testing provider invoiced patients directly.

4.6.2.2 Expenses

Total expenses grew 6.0% from \$54.5 million in FY2011 to \$57.8 million in FY2012. The increase in expenses was primarily driven by:

- + 13.0% growth in salaries and wages, reflecting wage rises to Monash Group's employees, the merger with the private obstetric and gynaecology ultrasound clinic in Melbourne, and the addition of head office staff to support the future business strategy and growth of Monash Group;
- + 10.0% growth in clinicians' fees partly due to the addition of a new directing sonologist as part of the merger with the private obstetric and gynaecology ultrasound clinic in Melbourne. Growth also reflected the increase in Patient Treatments provided and an increase in the fees and wages paid to Fertility Specialists. Clinicians' fees as a percentage of revenue increased from 16.3% in FY2011 to 16.5% in FY2012 due to the merger with the private obstetric and gynaecology ultrasound clinic in Melbourne;
- + 1.2% reduction in variable costs was a result of renegotiating outsourced blood testing arrangements whereby a significant part of Monash Group no longer incurred the costs of blood testing;
- + 6.2% reduction in fixed costs, reflecting a reduction in the use of external consultants for management services and non-recurrence of one-off costs incurred in FY2011. In FY2011, Monash Group paid an external consultant group for certain management services. This was ceased in FY2012 and replaced by expanded head office staff. One-off costs that were incurred in FY2011 (in relation to Monash Group relocating one of its main Victorian clinics to the Hawthorn Private Hospital in Melbourne) were not incurred again in FY2012.

4. Financial Information

4.6.2.3 Pro forma EBITDA and Pro forma EBIT

EBITDA grew 14.5% from \$28.0 million in FY2011 to \$32.1 million in FY2012 as a result of revenue growth of 8.9% and total expenses growth of 6.0%. EBIT grew 24.4% as a result of the growth in EBITDA and a decrease in depreciation and amortisation expense from \$5.4 million in FY2011 to \$4.0 million in FY2012. Amortisation expenses related to capitalised intangibles (which were from the acquisition of Repromed in 2008) were incurred in FY2011 but ceased in FY2012.

4.6.3 Pro forma consolidated cash flows: FY2012 compared to FY2011

Table 31 Summary pro forma consolidated historical cash flow statements: FY2012 compared to FY2011

\$ million	Pro Forma Historical Cash Flows		
	FY2011	FY2012	% Change
EBITDA	28.0	32.1	14.5%
Change in working capital	0.8	2.9	253.4%
Operating free cash flow before capital expenditure	28.8	34.9	21.3%
Capital expenditure	(1.4)	(2.0)	42.0%
Acquisitions of businesses	–	–	–
Operating free cash flow after capital expenditure	27.4	32.9	20.2%

4.6.3.1 Change in working capital

A decrease in net working capital of \$2.9 million in FY2012 reflected growth in Monash Group's business during FY2012 as the number of Patient Treatments increased and resulted in a larger pre-paid income and trade and other payables balance and increased employee entitlements following merger of the private obstetric and gynaecology ultrasound businesses.

4.6.3.2 Capital expenditure

Capital expenditure increased to \$2.0 million in FY2012 primarily as a result of expenditure on a new picture archiving and communications system.

4.6.3.3 Acquisition of business

No cash was paid in relation to the acquisition of businesses in FY2012. The merger of the private obstetric and gynaecology ultrasound business was completed through the issuance of shares in a Monash Group company.

4.6.4 Pro forma consolidated income statements: FY2013 compared to FY2012

Table 32 below sets out the summary pro forma consolidated historical income statements and selected key performance indicators for FY2012 and FY2013.

4. Financial Information

Table 32 Summary pro forma consolidated historical income statements and key performance indicators: FY2013 compared to FY2012

\$ million (unless otherwise stated)	Note	Pro Forma Historical Results ⁽¹⁾		
		FY2012	FY2013	% Change
Total revenue		89.8	96.3	7.2%
Salary and wages	(2)	(24.5)	(26.7)	9.0%
Clinicians' fees	(3)	(14.8)	(15.1)	1.9%
Variable costs	(4)	(6.4)	(7.1)	11.0%
Fixed costs	(5)	(12.2)	(12.6)	3.6%
Total expenses		(57.8)	(61.4)	6.3%
EBITDA		32.1	34.9	8.9%
Depreciation and amortisation		(4.0)	(3.7)	(7.9)%
EBIT		28.1	31.3	11.3%
Net interest expense		(6.3)	(5.1)	(19.3)%
Profit before tax		21.7	26.1	20.3%
Income tax expense		(6.5)	(7.8)	20.3%
NPAT		15.2	18.3	20.3%
Summary key performance indicators				
Monash Group Australia				
Number of IVF Cycles		8,119	8,092	(0.3%)
Number of frozen embryo transfers		3,977	4,139	4.1%
Number of Monash Group Patient Treatments		12,096	12,231	1.1%
Monash Group International⁽⁶⁾				
Number of IVF Cycles		–	227	NA
Number of frozen embryo transfers		–	124	NA
Number of Monash Group Patient Treatments		–	351	NA
Total Monash Group				
Number of IVF Cycles		8,119	8,319	2.5%
Number of frozen embryo transfers		3,977	4,263	7.2%
Total number of Monash Group Patient Treatments		12,096	12,582	4.0%
Number of Patient Treatments in Monash Group's key Australian markets	(7)	34,070	34,917	2.5%
Implied Monash Group market share in Monash Group's key Australian markets – Patient Treatments (%)	(8)	35.5%	35.0%	
Number of Fertility Specialists (period end)		58	65	12.1%
Average Total Revenue per IVF Cycle (\$)		11,065	11,578	4.6%

Notes:

- (1) The Pro Forma Historical Results are reconciled to the Statutory Historical Results in Section 4.3.3.
- (2) Salary and wages include the amounts paid to Monash Group's scientific and support staff, including management, nurses and administrative staff.
- (3) Clinicians' fees include the amounts paid to Monash Group's Doctors to provide the medical component of Assisted Reproductive Services and related treatments.

4. Financial Information

- (4) Variable costs include medical and laboratory consumable costs, the cost of drugs provided to patients, purchases of donor material, satellite clinic expenses and motor vehicle expenses.
- (5) Fixed costs include occupancy and property costs, information technology and communications expenses, professional fees, marketing and advertising costs as well as bank fees and collections costs.
- (6) Monash Group International was established in January 2013. Accordingly, no international Patient Treatments were recorded in FY2011, FY2012 and 1H FY2013.
- (7) Represents the combined number of Patient Treatments in Victoria, South Australia, Queensland and Northern Territory in each period based on Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201, 13202 and 13218.
- (8) Implied Monash Group market share represents the number of Patient Treatments undertaken by Monash Group in Australia in each period divided by the number of Patient Treatments in Victoria, South Australia, Queensland and Northern Territory in each period.

4.6.4.1 Revenue

Total revenue grew 7.2% to \$96.3 million in FY2013. This was primarily due to an increase in core Assisted Reproductive Services revenue, an increase in diagnostic and ancillary services revenue and the acquisition of KL Fertility in January 2013.

A summary of the key factors affecting Monash Group's revenue growth in FY2013 is outlined below:

- + the number of Patient Treatments provided by Monash Group increased 4.0%, reflecting more subdued market growth in Victoria, strong trading conditions in South Australia and Queensland and a six month contribution from KL Fertility. In Victoria, Monash Group saw strong growth in frozen embryo transfers as increasing success rates drove greater customer utilisation of frozen embryos and a shift in the mix of services. In South Australia, Monash Group experienced strong trading conditions following increased marketing efforts, which enabled Monash Group to capture a high proportion of growth in Patient Treatments in this market. In Queensland, the market experienced strong growth and Monash Group increased the number of Patient Treatments provided. Monash Group's share of Patient Treatments in its key Australian states declined slightly as it transitioned Fertility Specialists at one of its large Queensland clinics during a period of otherwise very strong market growth in Queensland;
- + the initial contribution from KL Fertility which was acquired on 1 January 2013 and made a six month contribution to Monash Group's FY2013 Pro Forma Historical Result;
- + growth in diagnostic and ancillary services revenue due to increasing patient demand for PGS and PGD testing services and increasing donor revenue; and
- + Average Total Revenue per IVF Cycle increased 4.6%, reflecting an increase in the price of services provided by Monash Group, the growing contribution from frozen embryo transfers and an increase in testing revenue.

The number of Fertility Specialists contracted with or employed by Monash Group increased by seven to a total of 65. This increase was attributable to the acquisition of KL Fertility and successful addition of new domestic Fertility Specialists through a focused recruitment strategy.

4.6.4.2 Expenses

Total expenses grew 6.3% from \$57.8 million in FY2012 to \$61.4 million in FY2013. The increase in expenses was primarily driven by:

- + 9.0% growth in salaries and wages, reflecting modest wage rises to Monash Group's employees and the impact of the KL Fertility acquisition;
- + 1.9% growth in clinicians' fees, reflecting growth in the number of Patient Treatments, partly offset by the impact of the KL Fertility acquisition which has lower clinician fee expense relative to Monash Group Australia. Clinicians' fees as a percentage of revenue decreased from 16.5% in FY2012 to 15.6% in FY2013;
- + 11.0% growth in variable costs primarily reflecting the part year contribution of the KL Fertility acquisition as well as increased expenses from testing and donor services; and
- + 3.6% increase in fixed costs, reflecting annual rent increases, the part year contribution of the KL Fertility acquisition, the addition of consulting rooms in Melbourne, the relocation of one of Monash Group's main Victorian clinics to the Epworth Richmond Private Hospital and additional expenditure on developing Monash Group's proprietary patient information system.

4. Financial Information

4.6.4.3 Pro forma EBITDA and Pro forma EBIT

EBITDA grew 8.9% from \$32.1 million in FY2012 to \$34.9 million in FY2013 as a result of revenue growth of 7.2% and total expenses growth of 6.3%. EBIT grew 11.3% as a result of the growth in EBITDA and a decrease in depreciation and amortisation expense from \$4.0 million in FY2012 to \$3.7 million in FY2013.

4.6.5 Pro forma consolidated cash flows: FY2013 compared to FY2012

Table 33 Summary pro forma consolidated historical cash flow statements: FY2013 compared to FY2012

\$ million	Pro Forma Historical Cash Flows		
	FY2012	FY2013	% Change
EBITDA	32.1	34.9	8.9%
Change in working capital	2.9	0.4	(85.5)%
Operating free cash flow before capital expenditure	34.9	35.3	1.1%
Capital expenditure	(2.0)	(3.2)	58.4%
Acquisitions of businesses	–	(4.2)	100.0%
Operating free cash flow after capital expenditure	32.9	27.9	(15.3)%

4.6.5.1 Change in working capital

A decrease in net working capital of \$0.4 million in FY2013 reflected lower growth in the number of Patient Treatments in FY2013 and as a result, smaller increase in pre-paid income and trade and other payables relative to FY2012.

4.6.5.2 Capital expenditure

Capital expenditure increased to \$3.2 million in FY2013 primarily as a result of:

- + expenditure to upgrade Monash Group's proprietary patient information system and extend its useful life;
- + planned upgrades of key laboratory and ultrasound equipment; and
- + the relocation of one of Monash Group's main Victorian clinics to the Epworth private hospital.

4.6.5.3 Acquisition of business

Acquisition expenditure of \$4.2 million related to the purchase of KL Fertility.

4. Financial Information

4.6.6 Pro forma consolidated income statements: 1H FY2014 compared to 1H FY2013

Table 34 below sets out the summary pro forma consolidated historical income statements and selected key performance indicators for 1H FY2013 and 1H FY2014.

Table 34 Summary pro forma consolidated historical income statements and key performance indicators: 1H FY2014 compared to 1H FY2013

\$ million (unless otherwise stated)	Note	Pro Forma Historical Results ⁽¹⁾		
		1H FY2013	1H FY2014	% Change
Total revenue		46.5	57.6	23.8%
Salary and wages	(2)	(13.1)	(15.0)	15.1%
Clinicians' fees	(3)	(7.6)	(8.8)	15.5%
Variable costs	(4)	(3.3)	(5.9)	79.4%
Fixed costs	(5)	(5.5)	(6.8)	24.0%
Total expenses		(29.4)	(36.5)	24.0%
EBITDA		17.1	21.1	23.4%
Depreciation and amortisation		(1.8)	(1.4)	(24.4)%
EBIT		15.3	19.7	29.1%
Net interest expense		(2.7)	(2.3)	(13.5)%
Profit before tax		12.6	17.4	38.1%
Income tax expense		(3.8)	(5.2)	38.1%
NPAT		8.8	12.2	38.1%
Summary key performance indicators				
Monash Group Australia				
Number of IVF Cycles		4,151	4,389	5.7%
Number of frozen embryo transfers		2,109	2,415	14.5%
Number of Monash Group Patient Treatments		6,260	6,804	8.7%
Monash Group International⁽⁶⁾				
Number of IVF Cycles		–	247	NA
Number of frozen embryo transfers		–	186	NA
Number of Monash Group Patient Treatments		–	433	NA
Total Monash Group				
Number of IVF Cycles		4,151	4,636	11.7%
Number of frozen embryo transfers		2,109	2,601	23.3%
Total number of Monash Group Patient Treatments		6,260	7,237	15.6%
Number of Patient Treatments in Monash Group's key Australian markets	(7)	18,281	18,686	2.2%
Implied Monash Group market share in Monash Group's key Australian markets – Patient Treatments (%)	(8)	34.2%	36.4%	
Number of Fertility Specialists (period end)		65	73	12.3%
Average Total Revenue per IVF Cycle (\$)		11,206	12,420	10.8%

4. Financial Information

Notes:

- (1) The Pro Forma Historical Results are reconciled to the Statutory Historical Results in Section 4.3.3.
- (2) Salary and wages include the amounts paid to Monash Group's scientific and support staff, including management, nurses and administrative staff.
- (3) Clinicians' fees include the amounts paid to Monash Group's Doctors to provide the medical component of Assisted Reproductive Services and related treatments.
- (4) Variable costs include medical and laboratory consumable costs, the cost of drugs provided to patients, purchases of donor material, satellite clinic expenses and motor vehicle expenses.
- (5) Fixed costs include occupancy and property costs, information technology and communications expenses, professional fees, marketing and advertising costs as well as bank fees and collections costs.
- (6) Monash Group International was established in January 2013. Accordingly, no international Patient Treatments were recorded in FY2011, FY2012 and 1H FY2013.
- (7) For 1H FY2013, represents the combined number of Patient Treatments in Victoria, South Australia, Queensland and Northern Territory based on Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201, 13202 and 13218. For 1H FY2014, represents the combined number of Patient Treatments in Victoria, South Australia, Queensland, Northern Territory and the regional market of Albury, New South Wales based on Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201, 13202 and 13218 and data from Monash Group's Albury IVF business.
- (8) Implied Monash Group market share represents the number of Patient Treatments undertaken by Monash Group in Australia in each period divided by the number of Patient Treatments outlined in note 7 in each period.

4.6.6.1 Revenue

Total revenue grew 23.8% to \$57.6 million in 1H FY2014. This was primarily due to an increase in core Assisted Reproductive Services revenue, an increase in diagnostic and ancillary services revenue, the acquisition of KL Fertility in January 2013 and the acquisition of Albury IVF in July 2013.

A summary of the key factors affecting Monash Group's revenue growth in 1H FY2014 is outlined below:

- + the number of Patient Treatments provided by Monash Group increased 15.6%, reflecting:
 - strong growth in frozen embryo transfers and moderate growth in IVF Cycles across Monash Group's main Australian businesses. Monash Group experienced strong trading conditions and increased Patient Treatments in Victoria and South Australia, which was partially offset by weaker trading conditions in Queensland, where market growth moderated after a strong FY2013; and
 - contribution of KL Fertility and Albury IVF acquisitions in Monash Group's 1H FY2014 Pro Forma Historical Result but did not make a contribution to Monash Group's 1H FY2013 Pro Forma Historical Result;
- + increase in diagnostic and ancillary services revenue due to increasing donor revenue and patient utilisation of PGD/PGS and non-invasive pre-natal testing following increased sales and marketing activities around these services. Pathology testing services also increased as Monash Group saw a movement of blood testing from other providers to Monash Group (primarily in South Australia);
- + increase in ultrasound revenue as a result of a new ultrasound site being opened; and
- + Average Total Revenue per IVF Cycle increased 10.8%, reflecting an increase in the price of services provided by Monash Group, growing contribution of frozen embryo transfers and increase in diagnostic and ancillary services revenue.

The number of Fertility Specialists contracted with or employed by Monash Group increased by eight to a total of 73. This increase was attributable to the acquisition of Albury IVF and ongoing Fertility Specialist recruitment activities.

4.6.6.2 Expenses

Total expenses grew 24.0% from \$29.4 million in 1H FY2013 to \$36.5 million in 1H FY2014. The increase in expenses was primarily driven by:

- + 15.1% growth in salaries and wages, reflecting the impact of the KL Fertility and Albury IVF acquisitions, a modest increase in staff due to the opening of a new ultrasound clinic, and wage rises to Monash Group's employees;
- + 15.5% growth in clinicians' fees, reflecting an increase in the number of Patient Treatments provided and the impact of the KL Fertility and Albury IVF acquisitions. The growth in clinicians' fees also incorporates increases in the fees paid to contracted Fertility Specialists per service in line with Monash Group price increases for those services and wage rises to employed Fertility Specialists. Clinicians' fees as a percentage of revenue decreased from 16.3% in 1H FY2013 to 15.3% in 1H FY2014 due to the impact of the KL Fertility acquisition;
- + 79.4% growth in variable costs, reflecting the impact of the KL Fertility and Albury IVF acquisitions, an increase in donor costs, an increase in expenses associated with PGD/PGS and non-invasive pre-natal testing and a step-up in sales and marketing expenditure; and
- + 24.0% growth in fixed costs, reflecting the impact of the KL Fertility and Albury IVF acquisitions, the increased costs of establishing a new ultrasound clinic and the relocation of one of Monash Group's main Victorian clinics to the Epworth Richmond Private Hospital.

4. Financial Information

4.6.6.3 Pro forma EBITDA and Pro forma EBIT

EBITDA grew 23.4% from \$17.1 million in 1H FY2013 to \$21.1 million in 1H FY2014 as a result of revenue growth of 23.8% and total expenses growth of 24.0%. EBIT grew 29.1% as a result of the growth in EBITDA and a decrease in depreciation and amortisation expense from \$1.8 million in 1H FY2013 to \$1.4 million in 1H FY2014. This reduction follows an upgrade of Monash Group's proprietary patient information system and extension of its useful life, which decreased its associated amortisation charge.

4.6.7 Pro forma consolidated historical cash flows: 1H FY2014 compared to 1H FY2013

Table 35 Summary pro forma consolidated historical cash flow statements: 1H FY2014 compared to 1H FY2013

\$ million	Pro Forma Historical Cash Flows		
	1H FY2013	1H FY2014	% Change
EBITDA	17.1	21.1	23.4%
Change in working capital	(0.8)	(0.9)	7.1%
Operating free cash flow before capital expenditure	16.3	20.3	24.2%
Capital expenditure	(0.9)	(2.2)	146.9%
Acquisitions of businesses	(3.1)	(4.0)	28.0%
Operating free cash flow after capital expenditure	12.3	14.1	14.5%

4.6.7.1 Change in working capital

An increase in net working capital of \$0.9 million in 1H FY2014 is due to lower pre-paid income from patients at 31 December 2013 relative to 30 June 2013. This is a result of the number of Patient Treatments Monash Group undertakes in January being lower than July, due to Christmas holidays.

4.6.7.2 Capital expenditure

Capital expenditure increased to \$2.2 million in 1H FY2014 primarily as a result of commissioning of Monash Group's lower intervention service offering and roll-out of Monash Group's proprietary patient information system in its Victorian and Queensland businesses.

4.6.7.3 Acquisition of business

Acquisition expenditure in 1H FY2014 related to the acquisition of Albury IVF and a deferred payment relating to the KL Fertility acquisition.

4.6.8 Geographic segment financial performance

Monash Group's primary geographic segments are described in Section 4.2. Table 36 sets out pro forma historical and pro forma and statutory forecast revenue for these geographic segments. Monash Group Australia primarily generates its revenue in the Australian states of Victoria, South Australia, Queensland and Northern Territory. Monash Group International generates its revenue in Malaysia and China (the contribution to revenue from China is not material).

4. Financial Information

Table 36 Geographic segment historical and forecast financial performance

\$ million	Pro Forma Historical Results			Pro Forma Forecast Results	Statutory Forecast Results	
	FY2011	FY2012	FY2013	FY2014	FY2014	FY2015
Revenue						
Monash Group Australia	82.5	89.8	94.5	108.0	108.0	125.5
Monash Group International	–	–	1.8	4.1	4.1	4.7
Total Monash Group Revenue	82.5	89.8	96.3	112.1	112.1	130.3

Note: Monash Group International was established in January 2013. Accordingly, no Malaysian Ringgit was earned in FY2011, FY2012 and 1H FY2013.

Total Monash Group Statutory Revenue	83.5	93.2	96.6		112.1	130.3
---	-------------	-------------	-------------	--	--------------	--------------

Note: Reconciliation of statutory revenue to pro forma revenue relates to discontinued operations.

4.7 Assumptions underlying the Forecast Financial Information

The Forecast Financial Information has been prepared by Monash Group based on the Historical Financial Information and with regard to the current trading performance up until the lodgement of the Original Prospectus, and on specific best estimate assumptions, of which certain key assumptions are set out in Section 4.7.1, and general assumptions set out in Section 4.7.2.

The assumptions below are a summary only and do not represent all factors that will affect Monash Group's financial performance. This information is not intended to be a representation that the assumptions will occur. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.8, the risk factors in Section 5 and the Ernst & Young Transaction Advisory Services Limited Independent Limited Assurance Report set out in Section 8.

4.7.1 Specific assumptions

Revenue assumptions

The number of Patient Treatments at Monash Group's existing clinics in Australia (excluding Albury IVF, lower intervention service clinics and Next Generation Fertility) is expected to grow at 5.1% and 4.5% in FY2014 and FY2015, respectively, reflecting Monash Group's view of general market growth rates of 4.0% and growth rates in new patient registrations observed by Monash Group in 1H FY2014 and up to the date of this Prospectus in 2H FY2014. Expected growth in Patient Treatments reflects assumed higher growth in frozen embryo transfers of 11.2% and 5.2% in FY2014 and FY2015 respectively, and growth in IVF Cycles of 2.0% and 4.1% in FY2014 and FY2015 respectively.

Growth in Patient Treatments at new clinics in Australia in FY2014 is expected to be driven by the full year contribution from Albury IVF (acquired 1 July 2013) and in FY2015, by the opening of an Albury IVF satellite clinic in regional NSW, the opening of a Monash Group lower intervention service clinic in Sydney and the contribution from recently acquired Next Generation Fertility (refer to Table 37).

International Patient Treatment growth is driven by the full year impact from KL Fertility (acquired in January 2013) and the addition of one new Fertility Specialist at KL Fertility who commenced in 2H FY2014.

Average Total Revenue per IVF Cycle is driven by selected price increases per IVF Cycle supported by increasing services per IVF Cycle that include frozen embryo transfers, PGD and PGS testing services, The World Egg Bank donor program as well as non-invasive pre-natal tests and additional ultrasound services. FY2014 price increases were implemented around 1 July 2013. Proposed FY2015 price increases are expected to be implemented on 1 July 2014 and average approximately 3% on IVF Cycles and approximately 7% on frozen embryo transfers.

Expenses

Forecast salaries and wages expense includes an expected average salary increase of 3% in FY2014 and FY2015, with increases in the number of full time employee equivalents to support underlying Patient Treatment growth and new clinic openings.

4. Financial Information

Clinicians' fees are forecast to increase in line with Patient Treatment growth rates and price increases and from the addition of two Fertility Specialists and a sonologist.

Variable costs are forecast to increase in line with Patient Treatment growth rates. Forecast increases in variable costs also include costs related to The World Egg Bank donor program for the first time in FY2014, increased testing costs for PGD and PGS services, and the annualised cost of non-invasive pre-natal testing services which commenced in May 2013.

Forecast fixed costs growth rates reflect the annualised impact of the recently acquired Albury IVF, KL Fertility and Next Generation Fertility clinics, and additional fixed costs relating to the planned opening of new clinics. Forecast fixed cost increases in FY2014 also include increases implemented in senior management remuneration and expansion of group head office functions to prepare Monash Group for listing (in addition to the incremental IPO costs of \$0.6 million reflected in the pro forma adjustments noted in Section 4.3.3).

Forecast interest expense reflects the pro forma capital structure on Completion, average BBSY of 2.63% and 2.76% in FY2014 and FY2015 respectively and margins under the New Banking Facilities (refer to Section 9.3).

Forecast foreign exchange rate of 2.92 Malaysian Ringgit per one Australian dollar.

Cash flow

Working capital is forecast at a business unit level based on Monash Group's expectations of patient demand and forecast revenue, consistent with historical trends. The working capital inflow in the forecast period reflects expected growth in the business and a higher pre-paid income balance due to higher Patient Treatment activity and associated upfront partial patient payments, offset by FY2015 inventory build-up in Monash Group's lower intervention service clinics.

Forecast capital expenditure includes recurring maintenance expenditure associated with the upkeep and general maintenance of existing clinics and equipment, and the opening of Monash Group's lower intervention service clinics at a cost of \$2.0 million in FY2014 and \$1.3 million in FY2015.

Forecast cash payments relating to the acquisition of businesses predominantly reflect the acquisition of Albury IVF and Next Generation Fertility and the deferred payment for KL Fertility in FY2014, and deferred consideration for Albury IVF in FY2015.

New clinic openings and acquisitions

Table 37 below provides a summary of actual and planned Monash Group's clinic openings and clinic acquisitions that impact the Forecast Financial Information. Given the date of the KL Fertility acquisition, the clinic made a part-year contribution in FY2013 and will make its first full-year contribution in FY2014.

Table 37 Clinic acquisitions and new clinic openings by Monash Group that impact the Forecast Financial Information

Date	Clinic acquisition or new opening	Location	Services provided
January 2013	KL Fertility (acquisition)	Kuala Lumpur, Malaysia	Assisted Reproductive Services
July 2013	Albury IVF (acquisition)	Albury, New South Wales	Assisted Reproductive Services
July 2013	Ultrasound clinic (new clinic opened)	Melbourne, Victoria	Ultrasound services
February 2014	MyIVF clinic (new clinic opened)	Northlakes, Queensland	Lower intervention Assisted Reproductive Services
May 2014	Next Generation Fertility (acquisition)	Sydney, New South Wales	Assisted Reproductive Services
1H FY2015	New lower intervention service clinic (planned opening)	Sydney, New South Wales	Lower intervention Assisted Reproductive Services
1H FY2015	New satellite clinic (planned opening)	Wagga Wagga, New South Wales	Assisted Reproductive Services

4. Financial Information

4.7.2 General assumptions

In preparing the Forecast Financial Information, the following general assumptions have been adopted:

- + Growth in patient demand for Assisted Reproductive Services continues and the overall number of new patient registrations and Patient Treatments in the locations in which Monash Group operates grows in line with long-term trends.
- + No material change in the competitive operating environment in which Monash Group operates.
- + No material changes in Commonwealth Government funding arrangements for Assisted Reproductive Services.
- + No material changes in government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of Monash Group.
- + No significant deviation from current market expectations of global or Australian economic conditions relevant to the healthcare industry in Australia or Malaysia.
- + No material changes in key personnel, including key management personnel, scientists and Doctors. It is also assumed that Monash Group maintains its ability to recruit and retain the personnel required to support future growth and that there is no material adverse impact of any renewal of any of Monash Group's state based industrial instruments.
- + No material changes in applicable Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act which have a material effect on Monash Group's financial performance, financial position, accounting policies, financial reporting or disclosure.
- + No material industry strikes or other disturbances, environmental costs, contingent liabilities or legal claims will arise or be settled to the detriment of Monash Group.
- + No material cash flow or income statement or financial position impact in relation to litigation (existing or otherwise).
- + No material acquisitions, disposals, restructuring or investments other than those identified in Section 4.7.1 above.
- + No material changes to Monash Group's corporate and funding structure other than as set out in, or contemplated by, this Prospectus.
- + No material disruptions to the continuity of operations of Monash Group nor other material changes in its business.
- + No material amendment to any material agreement or arrangement relating to Monash Group's business other than as set out in, or contemplated by, this Prospectus.
- + No material change in interest rates or foreign exchange rates affecting Monash Group.
- + None of the risks listed in Section 5 have a material adverse impact on the operations of Monash Group.
- + The Offer proceeds in accordance with this Prospectus, including the key dates set out on page 3.
- + The first dividend is paid in April 2015, in relation to the six month period ending 31 December 2014. Subsequently, all dividends are assumed to be paid semi-annually. No full-year dividend will be paid in respect of FY2014. No dividend reinvestment plan is activated by Monash Group.

4. Financial Information

4.7.3 Management discussion and analysis of Forecast Financial Information

4.7.3.1 Pro forma consolidated income statements: FY2014 compared to FY2013

Table 38 Pro forma consolidated historical and forecast income statements and key performance indicators: FY2014 compared to FY2013

\$ million (unless otherwise stated)	Note	Pro Forma Historical ⁽¹⁾ and Forecast Results ⁽²⁾		
		FY2013	FY2014	% Change
Total revenue		96.3	112.1	16.4%
Salary and wages	(3)	(26.7)	(29.9)	11.9%
Clinicians' fees	(4)	(15.1)	(17.4)	15.7%
Variable costs	(5)	(7.1)	(11.5)	63.4%
Fixed costs	(6)	(12.6)	(14.5)	15.3%
Total expenses		(61.4)	(73.4)	19.5%
EBITDA		34.9	38.8	11.0%
Depreciation and amortisation		(3.7)	(2.8)	(24.1)%
EBIT		31.3	36.0	15.2%
Net interest expense		(5.1)	(4.5)	(11.9)%
Profit before tax		26.1	31.5	20.4%
Income tax expense		(7.8)	(9.4)	20.4%
NPAT		18.3	22.0	20.4%
Summary key performance indicators				
Monash Group Australia				
Number of IVF Cycles		8,092	8,565	5.8%
Number of frozen embryo transfers		4,139	4,805	16.1%
Number of Monash Group Patient Treatments		12,231	13,370	9.3%
Monash Group International⁽⁷⁾				
Number of IVF Cycles		227	498	119.4%
Number of frozen embryo transfers		124	376	203.2%
Number of Monash Group Patient Treatments		351	874	149.0%
Total Monash Group				
Number of IVF Cycles		8,319	9,063	8.9%
Number of frozen embryo transfers		4,263	5,181	21.5%
Total number of Monash Group Patient Treatments		12,582	14,244	13.2%
Number of Fertility Specialists (period end)		65	76	18.5%
Average Total Revenue per IVF Cycle (\$)		11,578	12,372	6.9%

Notes:

(1) The Pro Forma Historical Results are reconciled to the Statutory Historical Results in Section 4.3.3.

(2) The Pro Forma Forecast Results are reconciled to the Statutory Forecast Results in Section 4.3.3.

(3) Salary and wages include the amounts paid to Monash Group's scientific and support staff, including management, nurses and administrative staff.

(4) Clinicians' fees include the amounts paid to Monash Group's Doctors to provide the medical component of Assisted Reproductive Services and related treatments.

4. Financial Information

- (5) Variable costs include medical and laboratory consumable costs, the cost of drugs provided to patients, purchases of donor material, satellite clinic expenses and motor vehicle expenses.
- (6) Fixed costs include occupancy and property costs, information technology and communications expenses, professional fees, marketing and advertising costs as well as bank fees and collections costs.
- (7) Monash Group International was established in January 2013. Accordingly, no international Patient Treatments were recorded in FY2011, FY2012 and 1H FY2013.

Revenue

Revenue is forecast to grow 16.4% to \$112.1 million in FY2014 as a result of:

- + growth in the number of Patient Treatments of 13.2%:
 - Monash Group's Australian clinics (excluding Albury IVF and lower intervention service clinics) are expected to contribute approximately 5.0% to the growth rate in Monash Group's total number of Patient Treatments in FY2014. This reflects continued growth in frozen embryo transfers and IVF Cycles at long-term rates. Patient demand for frozen embryo transfers continues to increase as success rates improve. Growth in IVF Cycles is supported by growth in rates of new patient registrations at Monash Group's Victorian and Queensland businesses in 1H FY2014 and up to the date of this Prospectus in 2H FY2014. As such, growth in Patient Treatments is expected to be strongest in Monash Group's Victorian and Queensland businesses;
 - the acquisition of Albury IVF in July 2013 is expected to contribute approximately 3.7% to the growth rate in Patient Treatments provided by Monash Group. Underlying growth in Albury IVF Patient Treatments is expected to be consistent with trends observed in 1H FY2014. Albury IVF will make a 12 month contribution to the FY2014 Forecast Financial Results (but is not included in the FY2013 Historic Financial Results as it was acquired in July 2013);
 - KL Fertility is expected to contribute approximately 4.2% to the growth rate in Patient Treatments provided by Monash Group. KL Fertility will make its first full-year contribution to the FY2014 Forecast Financial Results (it made a six month contribution to the FY2013 Historic Financial Results). The number of Patient Treatments provided by KL Fertility is expected to deliver at least 10% growth over the prior corresponding period as the Malaysian Assisted Reproductive Services market grows and Monash Group adds another Fertility Specialist to its business in 2H FY2014; and
 - commencement of Monash Group's lower intervention service offering in Northlakes, Queensland in February 2014 which is forecast to make a minor contribution to growth in Patient Treatments during FY2014;
- + growth in diagnostic and ancillary services revenue, which is expected to grow faster than the growth in Assisted Reproductive Services revenue. This is expected to be driven by approximately 30% growth in PGD and PGS tests, growth in non-invasive pre-natal testing, Monash Group expanding the range of tests offered, and demand for Monash Group's The World Egg Bank donor program increasing;
- + growth in ultrasound revenue, assisted by the opening of one new clinic in 1H FY2014; and
- + growth in Average Total Revenue per IVF Cycle of 6.9%, reflecting an increase in the price of services provided by Monash Group, and the growing contribution of frozen embryo transfers, diagnostic and ancillary services, and ultrasound services.

Revenue in Monash Group International is forecast to grow 127%, reflecting its first full year contribution, underlying growth of at least 10% in Patient Treatments over the prior corresponding period, and the addition of one new Fertility Specialist who commenced in 2H FY2014.

The acquisition of Next Generation Fertility completed in May 2014 and will not have a material impact on revenue in FY2014.

Expenses

Total expenses are forecast to grow 19.5% from \$61.4 million in FY2013 to \$73.4 million in FY2014 as a result of:

- + 11.9% growth in salaries and wages, reflecting wage rises to Monash Group's employees, impact of the Albury IVF and KL Fertility acquisitions, additional employees required to support the opening of a new ultrasound clinic in 1H FY2014, and increases in costs to prepare Monash Group for listing, including increases in senior management remuneration and expansion of group head office functions;
- + 15.7% growth in clinicians' fees, reflecting the expected increase in Patient Treatments provided, the fees paid to contracted Fertility Specialists per Patient Treatment and increases in salaries and wages paid to employed Fertility Specialists, and the impact of Albury IVF and KL Fertility acquisitions. Clinicians' fees as a percentage of revenue is forecast to be 15.5%, broadly consistent with FY2013;
- + 63.4% growth in variable costs, reflecting growth in Patient Treatments, impact of Albury IVF and KL Fertility acquisitions, increased costs associated with PGD, PGS and non-invasive pre-natal testing, and increased donor costs; and
- + 15.3% growth in fixed costs, primarily driven by \$1.2 million of incremental costs associated with the design and start-up of Monash Group's lower intervention service offering. Fixed cost growth is also impacted by annual rent increases, the impact of Albury IVF and KL Fertility acquisitions, and expansion of group head office functions to prepare Monash Group for listing.

4. Financial Information

Total expense growth (excluding the \$1.2 million of incremental costs associated with the design and start-up of Monash Group's lower intervention service offering referred to above) is forecast to be 17.6%. The acquisition of Next Generation Fertility completed in May 2014 and will not have a material impact on expenses in FY2014.

Pro forma EBITDA and Pro forma EBIT

EBITDA is forecast to grow 11.0% from \$34.9 million in FY2013 to \$38.8 million in FY2014 as a result of forecast revenue growth of 16.4% and forecast total expenses growth of 19.5%. Excluding the incremental costs associated with the design and start-up of Monash Group's lower intervention service offering in FY2014, EBITDA is forecast to grow 14.6%.

EBIT is forecast to grow 15.2% as a result of the growth in EBITDA and reduction in depreciation and amortisation expense from \$3.7 million in FY2013 to \$2.8 million in FY2014. The reduction in depreciation and amortisation expense is attributable to the upgrade of Monash Group's proprietary clinical patient management system and resulting extension of its economic useful life that occurred during FY2014. In accordance with the requirements of AASB 108 'Changes in Accounting, Estimates and Errors', this change has been applied prospectively in the forecast results. It has not been applied retrospectively as a pro forma adjustment.

4.7.3.2 Pro forma consolidated cash flows: FY2014 compared to FY2013

Table 39 Summary pro forma consolidated cash flow statements: FY2013 compared to and FY2014

\$ million	Pro Forma Historical and Forecast Cash Flows		
	FY2013	FY2014	% Change
EBITDA	34.9	38.8	11.0%
Change in working capital	0.4	1.0	149.8%
Operating free cash flow before capital expenditure	35.3	39.8	12.7%
Capital expenditure	(3.2)	(5.5)	69.2%
Acquisitions of businesses	(4.2)	(10.2)	142.2%
Operating free cash flow after capital expenditure	27.9	24.1	(13.5)%

Change in working capital

Net working capital is forecast to decrease by \$1.0 million in FY2014, reflecting higher growth in the number of Patient Treatments in FY2014 and as a result, larger increase in pre-paid income and trade and other payables relative to FY2013.

Capital expenditure

Capital expenditure is forecast to increase to \$5.5 million in FY2014, reflecting commissioning of Monash Group's lower intervention service offering, roll-out of Monash Group's proprietary clinical patient management system in its Victorian and Queensland businesses, and incremental capital expenditure relating to acquired KL Fertility expansion. Monash Group expects to incur approximately \$3.3 million in capital expenditures associated with its lower intervention service offering across FY2014 and FY2015.

Acquisition of business

Acquisition expenditure in FY2014 is forecast to be \$10.2 million, reflecting the acquisition of Albury IVF and Next Generation Fertility, as well as a contractually deferred element of the consideration payment relating to the KL Fertility acquisition.

4. Financial Information

4.7.3.3 FY2015 statutory income statement compared to FY2014 pro forma consolidated income statement

Table 40 FY2015 statutory income statement compared to FY2014 pro forma consolidated income statement

		Pro Forma Forecast Results ⁽¹⁾	Forecast Statutory Results	
\$ million (unless otherwise stated)	Note	FY2014	FY2015	% Change
Total revenue		112.1	130.3	16.2%
Salary and wages	(2)	(29.9)	(34.8)	16.4%
Clinicians' fees	(3)	(17.4)	(20.8)	19.4%
Variable costs	(4)	(11.5)	(12.7)	10.2%
Fixed costs	(5)	(14.5)	(16.9)	16.1%
Total expenses		(73.4)	(85.1)	16.1%
EBITDA		38.8	45.1	16.4%
Depreciation and amortisation		(2.8)	(3.5)	26.1%
EBIT		36.0	41.6	15.7%
Net interest expense		(4.5)	(4.5)	(0.4%)
Profit before tax		31.5	37.1	18.0%
Income tax expense		(9.4)	(11.1)	18.0%
NPAT		22.0	26.0	18.0%
Summary key performance indicators				
Monash Group Australia				
Number of IVF Cycles		8,565	10,086	17.8%
Number of frozen embryo transfers		4,805	5,525	15.0%
Number of Monash Group Patient Treatments		13,370	15,611	16.8%
Monash Group International⁽⁶⁾				
Number of IVF Cycles		498	550	10.4%
Number of frozen embryo transfers		376	402	6.9%
Number of Monash Group Patient Treatments		874	952	8.9%
Total Monash Group				
Number of IVF Cycles		9,063	10,636	17.4%
Number of frozen embryo transfers		5,181	5,927	14.4%
Total number of Monash Group Patient Treatments		14,244	16,563	16.3%
Number of Fertility Specialists (period end)		76	80	3.9%
Average Total Revenue per IVF Cycle (\$)		12,372	12,249	(1.0)%

Notes:

- (1) The Pro Forma Forecast Results are reconciled to the Statutory Forecast Results in Section 4.3.3.
- (2) Salary and wages include the amounts paid to Monash Group's scientific and support staff, including management, nurses and administrative staff.
- (3) Clinicians' fees include the amounts paid to Monash Group's Doctors to provide the medical component of Assisted Reproductive Services and related treatments.
- (4) Variable costs include medical and laboratory consumable costs, the cost of drugs provided to patients, purchases of donor material, satellite clinic expenses and motor vehicle expenses.
- (5) Fixed costs include occupancy and property costs, information technology and communications expenses, professional fees, marketing and advertising costs as well as bank fees and collections costs.
- (6) Monash Group International was established in January 2013. Accordingly, no international Patient Treatments were recorded in FY2011, FY2012 and 1H FY2013.

4. Financial Information

The key assumptions underpinning the FY2015 Pro Forma Forecast Results are as follows:

Revenue

Revenue is forecast to grow 16.3% to \$130.3 million in FY2015 as a result of:

- + growth in the number of Patient Treatments of 16.3%:
 - Patient Treatments growth at Monash Group's Australian existing full-service clinics is expected to contribute approximately 4.9% to the growth rate in Monash Group's total number of Patient Treatments in FY2015 comprising 4.1% contribution from clinics in Monash Group's main Australian states and the remainder from expansion of its Albury IVF clinic in regional New South Wales. Expected growth in Monash Group Patient Treatments reflects the expected long-term industry growth across the states in which Monash Group operates and is supported in part by current strong growth in new patient registrations in Victoria and Queensland for Monash Group. As discussed in Section 4.7.3.1, growth in new patient registrations is a leading indicator of increases in IVF Cycles (which will then generally lead to subsequent frozen embryo transfers);
 - Patient Treatments growth as a result of the acquisition of Next Generation Fertility is expected to contribute approximately 5.2% to the growth rate in Monash Group's total number of Patient Treatments in FY2015 based on recent trading of Next Generation Fertility. Next Generation Fertility will make a 12 month contribution to the FY2015 Forecast Financial Results (but will not make a material contribution to the FY2014 Forecast Financial Results as it was acquired in May 2014);
 - Patient Treatments growth at Monash Group's two lower intervention service clinics is expected to add approximately 5.6% to the growth rate in Monash Group's total number of Patient Treatments in FY2015. One of Monash Group's lower intervention service clinics opened in 2H FY2014 with an additional clinic expected to open in 1H FY2015. Monash Group expects these clinics will increase the number of Patient Treatments provided over the course of FY2015, reaching normal operating levels in 2H FY2015. The expected rate of increase in operating levels for these clinics is based on Monash Group's experience in opening new clinics and its observation of other experiences in the market; and
 - Patient Treatments growth at Monash Group's International clinics is expected to contribute approximately 0.5% to the growth rate in Monash Group's total number of Patient Treatments in FY2015. Monash Group's Malaysian business is expected to increase Patient Treatments by 8.9%, supported by growth in the Malaysian Assisted Reproductive Services market and the addition of a new Fertility Specialist in 2H FY2014;
- + growth in ultrasound revenue as a result of the new clinic that was opened in 1H FY2014, an increase in the prices of services, and the addition of a new sonologist;
- + growth in diagnostic and ancillary services revenue, as a result of steady increase in PGD, PGS, non-invasive pre-natal testing and donor services, but at a lower rate than FY2014; and
- + decrease in Average Total Revenue per IVF Cycle by 1.0%, which reflects the opening and initial growth in Monash Group's lower intervention service offering (offered to patients at a lower cost per IVF Cycle) but also incorporates increase in the price of services provided by Monash Group, increase in the number of frozen embryo transfers, and growth in ultrasound and diagnostic and ancillary services.

Monash Group's two lower intervention service clinics are expected to contribute \$4.8 million of the forecast revenue growth in FY2015, reflecting the expected opening dates of the respective clinics (see Table 37 in Section 4.7.1) and the expected rate of growth towards a normal operating level for these clinics in 2H FY2015.

Revenue in Monash Group International is forecast to grow 14.6%, reflecting growth in patient demand for its services in Malaysia and the commencement of one new Fertility Specialist in 2H FY2014 in Malaysia.

Expenses

Total expenses are forecast to grow 16.1% from \$73.4 million in FY2014 to \$85.1 million in FY2015 as a result of:

- + 16.4% growth in salaries and wages, reflecting a modest increase in staff at Monash Group's Australian existing full-service clinics to handle the expected growth in Patient Treatments, wage rises to Monash Group's employees, the addition of new staff required for the lower intervention service clinics, and the impact of the Next Generation Fertility acquisition;
- + 19.4% growth in clinicians' fees reflecting the expected increase in Patient Treatments provided, the fees paid to contracted Fertility Specialists per Patient Treatment and increases in salaries and wages paid to employed Fertility Specialists, the addition of Fertility Specialists to Monash Group's two lower intervention service clinics, and the impact of the Next Generation Fertility acquisition. Clinicians' fees as a percentage of revenue is forecast to increase from 15.5% in FY2014 to 16.0% in FY2015 primarily as a result of the addition of Fertility Specialists at Monash Group's lower intervention service clinics whilst those clinics increase their operating levels over the course of FY2015;
- + 10.2% growth in variable costs, reflecting the expected growth in Patient Treatments partially offset by improved management of donor program costs; and
- + 16.1% growth in fixed costs, primarily driven by the full year cost of operating Monash Group's lower intervention service clinics, the impact of the Next Generation Fertility acquisition and impact of annual rent increases.

4. Financial Information

Pro forma EBITDA and Pro forma EBIT

EBITDA is forecast to grow 16.4% from \$38.8 million in FY2014 to \$45.1 million in FY2015 as a result of forecast revenue growth of 16.2% and forecast total expenses growth of 16.1%.

EBIT is forecast to grow 15.7% in FY2015 as a result of the growth in EBITDA and an increase in depreciation and amortisation expense from \$2.8 million in FY2014 to \$3.5 million in FY2015. The increase in depreciation and amortisation expense is a result of the opening and use of Monash Group's lower intervention service clinics and the expanded use of Monash Group's proprietary clinical patient management system across its business.

4.7.3.4 Pro forma consolidated cash flows: FY2015 compared to FY2014

Table 41 Summary pro forma forecast consolidated cash flow statements: FY2015 compared to FY2014

\$ million	Pro Forma Forecast Cash Flows		
	FY2014	FY2015	% Change
EBITDA	38.8	45.1	14.2%
Change in working capital	1.0	0.3	(71.8)%
Operating free cash flow before capital expenditure	39.8	45.4	12.0%
Capital expenditure	(5.5)	(4.9)	(14.7)%
Acquisitions of businesses	(10.2)	(0.4)	(96.1)%
Operating free cash flow after capital expenditure	24.1	40.2	66.8%

Change in working capital

Net working capital is forecast to decrease by \$0.3 million in FY2015. The lower decrease in net working capital relative to FY2014 reflects the expected increase in inventory associated with Monash Group's lower intervention service offering partially offsetting the increase in pre-paid income and trade and other payables as the number of Patient Treatments is expected to increase.

Capital expenditure

Capital expenditure is forecast to be \$4.9 million in FY2015, reflecting expenditure required on Monash Group's lower intervention service offering and an increase in expenditure on new and existing clinics. This is partially offset by a reduction in expenditure as a result of the roll-out of Monash Group's proprietary clinical patient management system being substantially completed in FY2014.

Acquisition of business

Acquisition expenditure in FY2015 is forecast to be \$0.4 million, reflecting a deferred payment for the acquisition of Albury IVF.

4.8 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions as described in Section 4.7. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Monash Group, the Directors and management. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

4. Financial Information

Set out below is a summary of the sensitivity of the FY2015 Statutory Forecast Results to changes in a number of key assumptions. The changes in the key assumptions set out in the sensitivity analysis is intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown. For the purposes of this analysis, each sensitivity is presented in terms of its individual impact on FY2015 statutory forecast NPAT and is set out below.

Assumption	Increase/ Decrease	FY2015 statutory NPAT impact (\$m)
Number of Monash Group Patient Treatments	+1%/(1%)	0.6
Average Total Revenue Per IVF Cycle	+1%/(1%)	0.7
Clinicians' fees	+1%/(1%)	0.1
Salary and wages	+1%/(1%)	0.2
Variable costs	+1%/(1%)	0.1
Interest cost	+25bps/(25bps)	0.2

Care should be taken in interpreting each sensitivity. The estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions, in order to illustrate the likely impact on the Pro Forma Forecast Results. In practice, changes in assumptions may offset each other or be additive, and management would respond to any adverse change in one item to seek to minimise the net effect on Monash Group's NPAT and cash flow.

4.9 Dividend policy

No dividend will be paid following Completion in respect of FY2014.

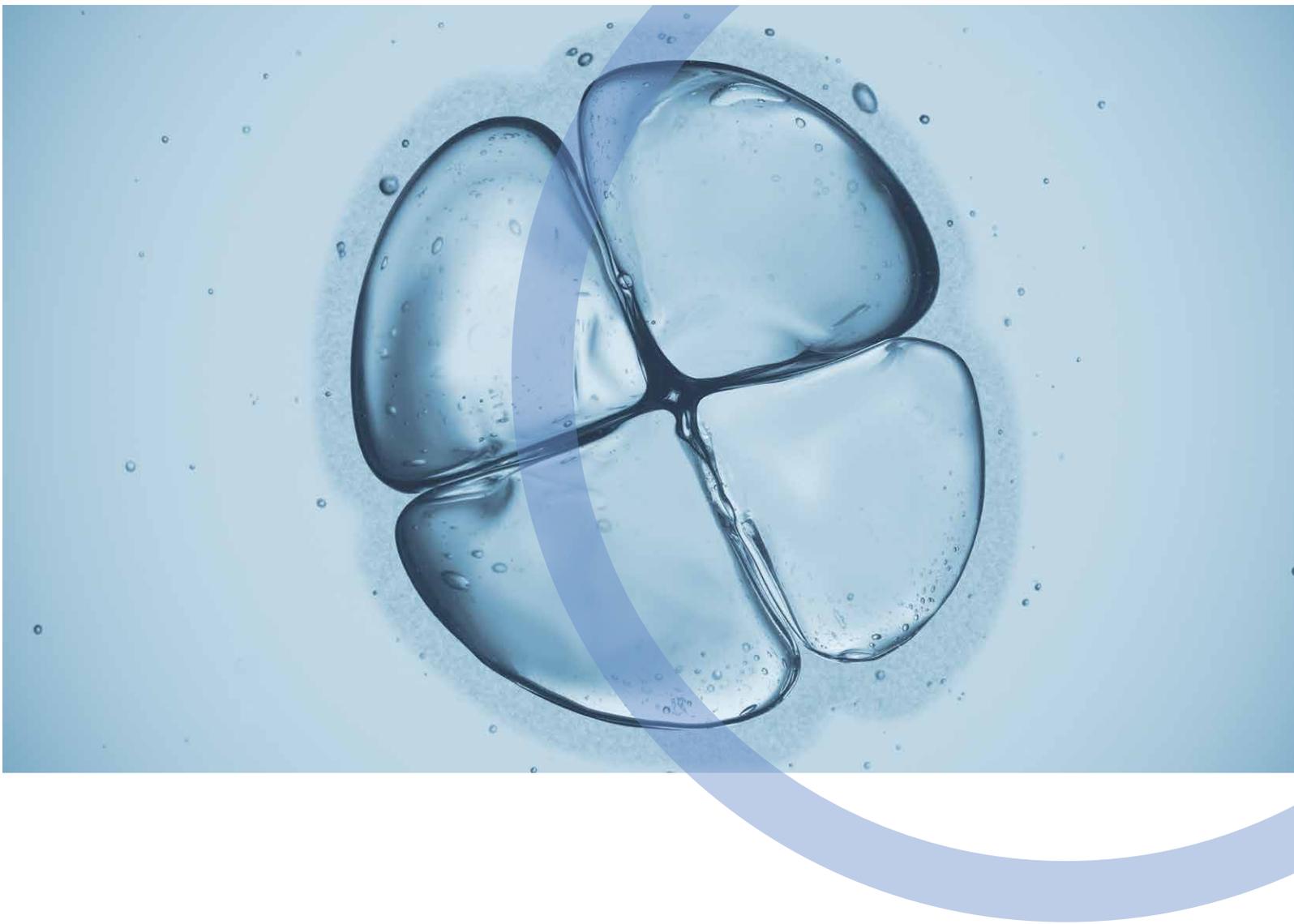
Depending on available profits and the financial position of Monash Group, it is the current intention of the Directors to pay interim dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. It is intended that all future dividends will be franked to the maximum extent possible.

The payment of a dividend by Monash Group is at the discretion of the Directors and will be a function of a number of factors, including the general business conditions, the operating results and the financial condition of Monash Group, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Monash Group, and any other factors the Directors may consider relevant.

Having regard to the factors outlined above, it is the Directors' current intention to target a payout ratio of 65% of statutory NPAT in FY2015.

Beyond FY2015, the Directors intend to target a payout ratio of between 60% and 70% of statutory NPAT. The level of payout ratio is expected to vary between periods depending on the factors above and, in particular, should strategic growth, acquisition or investment opportunities arise, it may result in a payout ratio in the future that is less than the above target.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.



5. Risks

5. Risks

5.1 Introduction

This Section describes the potential risks associated with Monash Group's business and risks associated with an investment in Shares. It does not purport to list every risk that may be associated with an investment in Shares now or in the future, and the occurrence or consequences of some of the risks described in this Section are partially or completely outside the control of Monash Group, its Directors and senior management team.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as at the date of this Prospectus, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

There can be no guarantee that Monash Group will deliver on its business strategy, or that the forecasts or any forward looking statement contained in this Prospectus will be achieved or realised. You should note that past performance is not a reliable indicator of future performance.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Shares, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.

5.2 Risks specific to an investment in Monash Group

5.2.1 Change in Commonwealth Government funding arrangements for Assisted Reproductive Services

There is a risk that the Commonwealth Government will change the funding (including levels, conditions or eligibility requirements) it provides for Assisted Reproductive Services. At the date of this Prospectus, patients receive partial reimbursement for Monash Group's services through Commonwealth Government programs, including the MBS, EMSN and the Pharmaceutical Benefits Scheme (refer to Section 2.9). If the level of reimbursement provided by these programs for Monash Group's services were to be reduced or capped (as occurred in 2010 – refer to Section 2.9.1), or eligibility for reimbursement restricted or otherwise adversely changed, Monash Group's patients would face higher out-of-pocket expenses for Assisted Reproductive Services. Further, if the difference between Government funding levels and the prices charged by Monash Group for IVF Cycles and other Assisted Reproductive Services increases, the level of patient out-of-pocket expenses increases. These events may cause Monash Group to experience reduced demand for services, and may adversely impact on the financial performance, market position and prospects of Monash Group.

5.2.2 Inability to recruit and retain Fertility Specialists

There is a risk that Monash Group will be unable to retain its existing Fertility Specialists.

If key Monash Group Fertility Specialists were to leave or cease working for the business, it is likely that Monash Group would not be able to treat or attract the same number of patients, resulting in lower volumes of Patient Treatments, negatively impacting Monash Group's revenue generation and the profitability of its business.

There is also a risk that Monash Group will be unable to attract and employ or engage sufficient new Fertility Specialists. This might happen, for example, because competitors are perceived to, or do, have or offer superior terms, training or reputation. If this were the case, Monash Group may not be able to capture market growth, increase market share and replace retiring Fertility Specialists. Alternatively, Monash Group may need to enhance wages, fees and benefits to recruit and retain personnel, and where labour costs increase, Monash Group may not be able to raise prices to sufficiently offset these increased costs.

5.2.3 Risk of increased competition

In each of the markets in which Monash Group operates, there is a risk that:

- + existing competitors may undertake aggressive marketing campaigns, product innovation or price discounting;
- + new competitors may launch fertility treatments, including Assisted Reproductive Services;
- + merger and consolidation may occur between existing participants, facilitating greater competition, including for example as a result of their increased scale; and/or
- + low cost offerings provided by competitors, or Monash Group itself (refer to Section 3.4.4.2), may compete with and attract revenues away from Monash Group's full-service offering.

Any of these events may adversely impact on the financial performance, market position and prospects of Monash Group.

5. Risks

5.2.4 Risk of reputational damage

The reputation of Monash Group and its individual brands is important in attracting Fertility Specialists, scientific staff, key employees and patients (including through personal recommendations and referrals from general practitioners and other medical specialists), and obtaining and maintaining accreditations.

There is a risk that certain issues or events, including many of those identified in this Section, may adversely affect the reputation of Monash Group or its key brands, including through negative publicity. Any factors which diminish Monash Group's reputation may result in Fertility Specialists, scientific staff, key employees and patients ceasing to work for or seek services from Monash Group; may impede Monash Group's ability to compete successfully; may negatively affect its future business strategy; and may adversely impact the financial performance, market position and prospects of Monash Group.

5.2.5 Monash Group may be involved in disputes or litigation

Monash Group may be involved from time to time in disputes or allegations of inadequate service or unsatisfactory clinical outcomes. For example, this might arise where embryos or gametes are damaged, lost or incorrectly utilised, or in relation to poor outcomes or clinical or surgical procedures. This may lead to claims of medical malpractice or similar claims and litigation with current or former patients, which may be costly to run and, if resolved in a patient's favour, require Monash Group to pay significant damages. It is possible that Monash Group's insurance will be inadequate to cover all claims or losses for which it may be liable. It is also possible that insurance against such losses may not be available to Monash Group in the future on commercially reasonable terms.

There is also a risk that in providing services, Monash Group is infringing other businesses' patents, which may lead to disputes with other service providers. If this proved to be the case, Monash Group would need to cease using the patented technology, pay damages to patent holders, license the technology from the patent holder and pay licence fees, or use alternative procedures which may not be as effective as the patented technology.

5.2.6 Inability to recruit and retain scientific staff

There is a risk that Monash Group will be unable to recruit and retain scientific staff of appropriate skills and qualifications required to offer patients and Fertility Specialists high quality, safe and efficient clinical services. If Monash Group lost key scientific staff, it might be difficult to recruit replacements with equivalent highly specialised clinical expertise and experience. This may adversely affect the clinical outcomes and the ability of Monash Group to service the demand for Assisted Reproductive Services, or impede the achievements of its research and product development, which in turn may adversely impact on the financial performance, market position and prospects of Monash Group.

5.2.7 Failure to satisfy legislative or regulatory requirements

Monash Group's activities are regulated by Commonwealth Government legislation, State Government legislation and a number of professional and industry bodies.

There is a risk that the regulations imposed on the industry in which Monash Group operates may become increasingly more burdensome, requiring Monash Group to dedicate more time and expenditure to ensure compliance with new legislation and/or regulations.

Since 2008, the audit and accreditation review process requirements of the Reproductive Technology Accreditation Committee ('RTAC') of the Fertility Society of Australia have become more onerous. Under the audit and accreditation review process, all Assisted Reproductive Services centres are required to develop a continuous improvement program and demonstrate improvement through an annual audit. If a Monash Group clinic fails to meet the audit and accreditation review requirements, there is a risk that the particular clinic's accreditations and/or licences could be revoked, meaning that services provided by the relevant clinic may not be eligible for Commonwealth Government funding or reimbursement and/or the relevant clinic would be prohibited from performing Assisted Reproductive Services.

A failure by one or more clinics to comply with legislation, regulation or other professional standards and accreditations could result in Monash Group being required to pay fines or suffering other penalties, may have an adverse effect on Monash Group's ability to conduct its business, and may also have an adverse impact on the reputation of Monash Group as a whole.

5.2.8 Damage to relationships with general practitioners and other medical specialists

There is a risk that the retirement or loss of certain Fertility Specialists, scientific staff or other key personnel, the activities of competitors, the introduction of a competing service that is perceived to be superior to the services provided by Monash Group, or other events which impact Monash Group's reputation could adversely affect Monash Group's relationship with general practitioners and other medical specialists. This could affect their behaviour in recommending Monash Group's services or referring patients to Monash Group, which could in turn adversely impact the number of patients treated by Monash Group and adversely impact on its financial performance, market position and prospects.

5. Risks

5.2.9 Demographic trends

There is a risk that a number of key demographic trends may alter, for example:

- + fertility rates may improve as a result of lower maternal ages;
- + the number of women between the ages of 25 and 54, Monash Group's target age group (refer to Section 2.4.1) may decline; and/or
- + Assisted Reproductive Services may become less socially acceptable.

If the change in one or more of these drivers were significant, it may have a material adverse effect on the demand for Assisted Reproductive Services, on Monash Group's financial performance, and its ability to grow at expected rates or as profitably.

5.2.10 Variability in growth of IVF Cycles

There is a risk that events beyond the control of Monash Group, including, for example, economic conditions and regulatory changes, could adversely affect the number of or growth in IVF Cycles, particularly in the short term (notwithstanding the long-term social and demographic trends (refer to Section 2.3) which Monash Group believes are key drivers of patient demand for Assisted Reproductive Services). These events may cause variability or adversely impact Monash Group's revenue generation and profitability.

5.2.11 Risk of new technologies

It is possible that new technologies could be developed or scientific advances made, in Australia by Monash Group's competitors, or elsewhere and licensed to Monash Group's competitors, which cannot be replicated by Monash Group without significant capital expenditure or at all, or that replace or reduce the requirement for Assisted Reproductive Services, ultrasound or specialised diagnostics.

The consequences for Monash Group of the development of new technologies could include lower or loss of revenues, loss of market position and reduced prospects of Monash Group.

5.2.12 Changes to the private health insurance industry

Patients wishing to use Monash Group's services without private health insurance may experience higher total out-of-pocket expenses as described in Section 2.9.2. As a result, Monash Group's revenues may be impacted by factors which adversely affect the membership of private health insurers, or the availability or extent of insurance for those costs associated with Assisted Reproductive Services that are currently covered by private health insurance.

Membership of private health insurance funds in Australia is supported by a number of Commonwealth Government policies, including the Private Health Insurance Rebate and Medicare Levy Surcharge. To the extent that these policies change, or new policies are enacted, this may reduce incentives to hold private health insurance (and the level of private health insurance in Australia may fall as a consequence) or may reduce the availability or extent of insurance cover.

A decline in the number of people with private health cover, or the availability or extent of insurance cover, may adversely impact the demand for Monash Group's services and have an adverse impact on the financial performance, market position and prospects of Monash Group.

5.2.13 Acquisition risk

From time to time Monash Group may undertake acquisitions consistent with its stated growth strategy. The successful implementation of acquisitions will depend on a range of factors including funding arrangements, cultural compatibility and clinical integration. There is a risk that Monash Group will be unable to identify suitable acquisition and development opportunities, be unable to expand its operations into new markets in accordance with its growth strategy, or alternatively be unable to successfully integrate new acquisitions with Monash Group's existing business, the effect of which would be reduced or no growth for Monash Group's business.

In pursuing its growth strategy, Monash Group may seek to expand its presence into geographic areas in which it does not currently operate. In these new geographic areas, Monash Group may encounter laws and regulations that differ from those applicable to its current operations and if Monash Group is unable to comply with legal requirements in the new jurisdictions in a cost-effective manner, it will not be able to successfully expand into those new areas.

5.2.14 Risk of Shareholder dilution

In the future, the Company may elect to issue shares (or securities convertible into shares) including in connection with fundraisings for acquisitions that Monash Group may decide to make. While the Company will be subject to constraints under the ASX Listing Rules regarding the percentage of its equity capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of shares or securities.

5. Risks

5.2.15 Industrial disputes and wage increases

Many of Monash Group's employees are covered by agreements, which periodically require renegotiation and renewal. There is a risk that disputes may arise in the course of such renegotiations which may lead to strikes or other forms of industrial action that could disrupt Monash Group's operations and impact its ability to provide Assisted Reproductive Services. Further, any such renegotiation could result in increased labour costs for Monash Group.

5.2.16 Occupational health and safety

Monash Group employees are at risk of workplace accidents and incidents. In the event that a Monash Group employee is injured in the course of their employment, Monash Group may be liable for penalties or damages. This has the potential to harm both the reputation and the financial performance of Monash Group.

5.2.17 Interest rate fluctuations

Under its banking facilities, Monash Group has floating rate borrowings, part of which Monash Group will hedge in accordance with the hedging policy approved by its Board from time to time. Any increase in interest rates will affect Monash Group's costs of servicing these borrowings, which may adversely affect its financial position. Changes in interest rates will affect borrowings which bear interest at floating rates.

5.2.18 Existing Owners retain a significant stake in the Company post-Completion

Following Completion, the Existing Owners will hold (at least) approximately 26.1% of the issued capital of the Company (comprised of Doctors, 18.3%; Ironbridge Funds, 5.0%; management, 1.1%; and Other Existing Owners, 1.6%). Following Completion, the Board will have one Director nominated by representatives of the Ironbridge Funds.

A significant portion of these Shares (representing 17.0% of the issued capital of the Company) will be subject to escrow or other disposal restrictions until the times permitted by the relevant escrow agreements (refer to Section 6.5 for further details). A significant sale of Shares by some or all of the Existing Owners, or the perception that such sales have occurred or might occur, could adversely affect the price of Shares.

5.3 General risks of an investment in Monash Group

5.3.1 Price of Shares may fluctuate

The price at which Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price of the Shares will increase following the quotation on ASX, or that Monash Group will pay dividends, even if Monash Group's earnings increase.

Some of the factors which may affect the price of the Shares include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to Government fiscal, monetary or regulatory policies, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which Monash Group operates and general operational and business risks.

Other matters which may negatively affect investor sentiment and influence Monash Group specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities or fires, floods, earthquakes, labour strikes, civil wars and other natural disasters.

5.3.2 Trading in Shares might not be liquid

There is currently no public market through which the Shares of Monash Group may be sold. There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

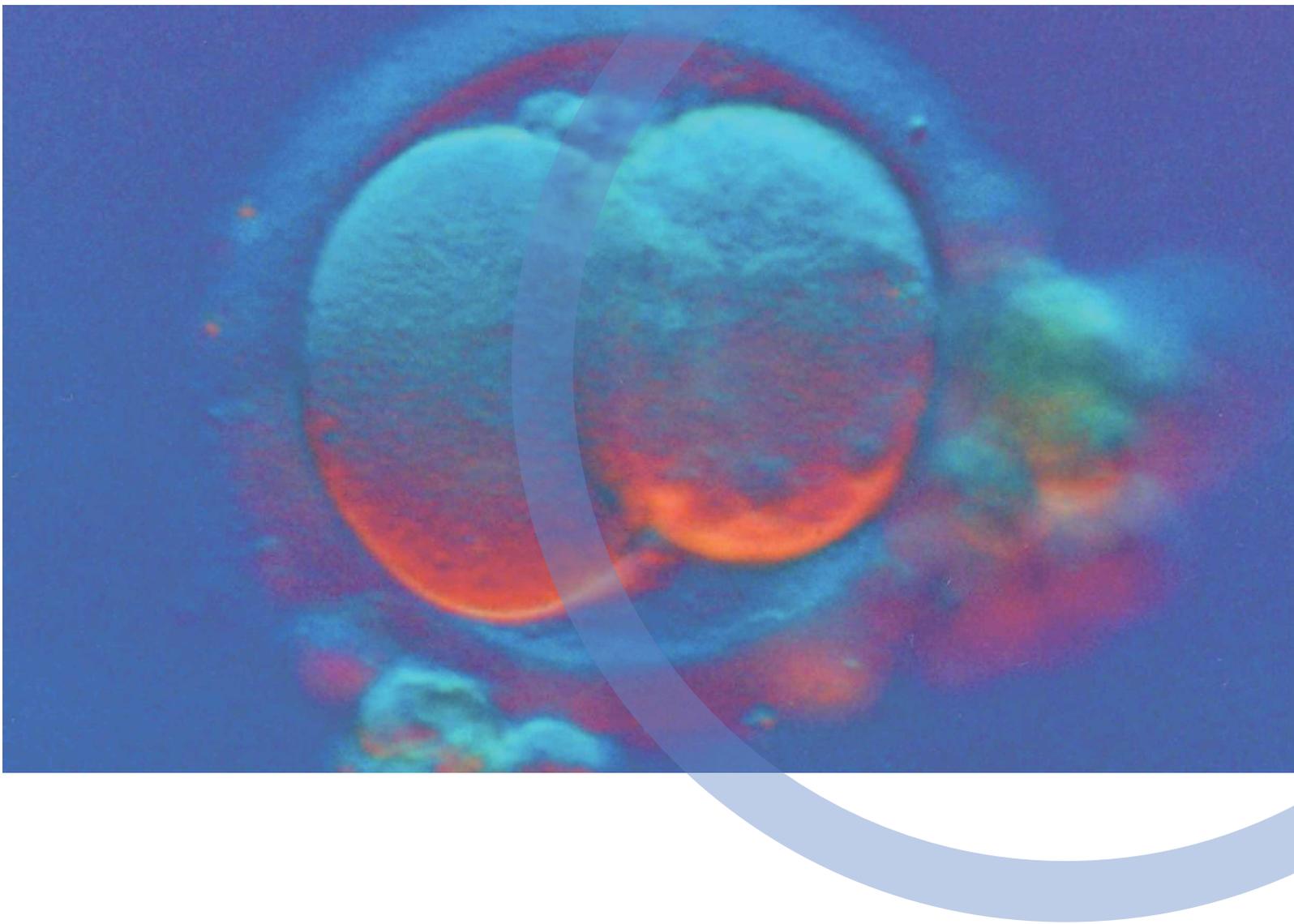
5. Risks

5.3.3 Monash Group may be subject to changes in tax law

Changes in tax law (including GST and stamp duties), or changes in the way taxation laws are interpreted, may impact the tax liabilities of Monash Group, Shareholder returns, the level of dividend imputation or franking, or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change. The tax information provided in this Prospectus is based on current taxation law as at the Prospectus Date. Tax law is frequently being changed, both prospectively and retrospectively. Furthermore, the status of some key tax reforms remains unclear at this stage. An investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in Monash Group.

5.3.4 Accounting standards

Australian Accounting Standards are issued by the Australian Accounting Standards Board and are not within the control of Monash Group and its Directors. Any changes to the accounting standards or to the interpretation of those standards may have an adverse effect on the reported financial performance and position of Monash Group.



6. Key people, interests and benefits

6. Key people, interests and benefits

6.1 Board of Directors

The Board of Directors brings to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

6.1.1 Experience and background

Director	Experience
<p>Mr Richard Davis Independent Chairman</p>	<p>Mr Richard Davis joined Monash Group in June 2014 and is currently serving as a non-executive director of InvoCare and Australian Vintage.</p> <p>Richard worked for InvoCare for 20 years until 2008. For the majority of that time he held the position of CEO and managed the growth of that business through a number of ownership changes and over 20 acquisitions, including offshore in Singapore.</p> <p>Prior to InvoCare, Richard worked in venture capital and as an accounting partner of Bird Cameron.</p> <p>Richard holds a Bachelor of Economics from the University of Sydney.</p>
<p>Mr Josef Czyzewski Independent non-executive Director</p>	<p>Mr Josef Czyzewski joined Monash Group in June 2014 and has over 30 years of experience in senior finance positions and significant experience in the health industry.</p> <p>Josef held the position of CFO at Healthscope Limited, and more recently at Spotless Group Limited following its takeover by private equity interests in 2012.</p> <p>He currently holds the role of Group General Manager Strategy and Development at Spotless and will retire from that position in July 2014.</p> <p>Josef has held various senior finance positions with BHP Billiton and served as a non-executive chairman of CSG Limited.</p> <p>He holds a Bachelor of Commerce from the University of Newcastle and is a Graduate Member of the Australian Institute of Company Directors.</p>
<p>Ms Christina ('Christy') Boyce Independent non-executive Director</p>	<p>Ms Christy Boyce joined Monash Group in June 2014. Christy is also a director of Port Jackson Partners and a non-executive director of Cryosite Limited.</p> <p>Christy has over 20 years of management consulting experience in both Australia and the United States and has worked extensively with major corporations on corporate strategy. Prior to joining Port Jackson Partners, Christy spent 14 years with McKinsey and Company, where she was a partner.</p> <p>She holds a Bachelor of Economics from the University of Sydney, a Masters of Management from the Kellogg Graduate School of Business (Northwestern University) and is a Graduate Member of the Australian Institute of Company Directors.</p>
<p>Mr Neil Broekhuizen Non-executive Director</p>	<p>Mr Neil Broekhuizen is the Joint Chief Executive Officer of Ironbridge.</p> <p>Neil has 20 years of private equity experience with Investcorp and Bridgepoint in Europe and Ironbridge in Australia. Neil has sat on the Ironbridge Investment Committee since inception and also represents the Ironbridge Funds on the Boards of Bravura Solutions and Southern Cross Dental.</p> <p>Neil is qualified as a Chartered Accountant and holds a BSC (Eng) Honours degree from Imperial College, University of London.</p>
<p>Mr Benjamin ('James') Thiedeman CEO and Managing Director</p>	<p>Mr James Thiedeman joined Monash Group in 2009.</p> <p>James has spent the last 25 years working in healthcare in both the public and private sectors. Prior to joining Monash Group, he was the CEO of Noosa Private Hospital on Queensland's Sunshine Coast and has held senior roles with Ramsay Health Care, Affinity Health, Mayne Health and Health Care of Australia.</p> <p>Before moving to the private health industry, James held senior policy and planning positions in the public sector.</p> <p>James holds an undergraduate degree in Health Administration from the Queensland University of Technology and an MBA from Griffith University.</p>

6. Key people, interests and benefits

Director	Experience
Dr Richard Henshaw Executive Director	<p>Dr Richard Henshaw has practised in the field of reproductive medicine in both the United Kingdom and Australia for the past 19 years.</p> <p>Richard works as a Fertility Specialist for Monash Group and was previously the National Medical Director of Repromed. He previously worked for Monash IVF in Victoria and as a Medical Director in the CARE Group, one of the leading providers of fertility care services in the United Kingdom.</p> <p>Richard has served as Chairman of the IVF Medical Directors of Australia and New Zealand, and also on the Reproductive Technology Accreditation Technical Committee, which reviews the regulatory regime in place in Australia and New Zealand.</p>

The following is information about a company of which a Director was an officer that entered into a form of external administration because of insolvency during the time the Director was an officer.

Mr Neil Broekhuizen was a non-executive director of companies that owned and ran the Riviera luxury boat building business. Riviera's secured creditors appointed receivers to those companies in May 2009, and the companies were placed into voluntary administration in the same month, following a period of difficult trading during the global financial crisis. Neil ceased to be a director of the relevant companies between September 2008 and December 2012. The business continues to trade and manufacture luxury boats through one of the companies which has since come out of administration, with the remaining companies placed into liquidation.

The other Directors do not believe that this matter is material to or indicative of the future performance of Neil in his duties as a Director of Monash Group or the future performance or prospects of Monash Group.

6.2 Senior management

Executive	Experience
Mr Benjamin ('James') Thiedeman CEO and Managing Director	See Section 6.1 above.
Mr Rodney Fox CFO	<p>Mr Rodney Fox was appointed to the role of Monash Group CFO in July 2011.</p> <p>Rodney is a Chartered Accountant and holds an MBA from the Australian Graduate School of Management. Rodney is experienced in the health and aged care sectors including five years as CFO of a large not-for-profit healthcare provider.</p> <p>Rodney also spent time as a senior manager at a Deloitte, which included positions in Sydney, London and Thailand.</p>
Dr Richard Henshaw Executive Director	See Section 6.1 above.

6. Key people, interests and benefits

6.3 Interests and benefits

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- + Director or proposed Director of the Company;
- + person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- + promoter of the Company; or
- + underwriter to the Offer,

holds at the Prospectus Date, or has held in the two years before the Prospectus Date, an interest in:

- + the formation or promotion of the Company;
- + property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- + the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of the Company.

6.3.1 Directors' interests and remuneration

6.3.1.1 Chief Executive Officer

Monash IVF Holdings Pty Limited is party to an employment contract with Mr James Thiedeman which documents James' employment with Monash Group. James is employed in the position of Chief Executive Officer and has been with Monash Group since 2009. James' annual remuneration package is comprised of a base salary of \$390,000 per annum and a bonus of up to 75% of the base salary. The terms and conditions of James' bonus and any further awards, including as to targets, vesting and/or exercise (as the case may be), may be determined by the Directors.

James' employment contract may be terminated by either of Monash IVF Holdings Pty Limited or James by providing at least six months' notice in writing before the proposed date of termination, or in Monash IVF Holdings Pty Limited's case, if James becomes medically incapacitated, on three months' notice. Monash IVF Holdings Pty Limited may terminate the employment of James immediately in certain circumstances including for any act of dishonesty, fraud, wilful disobedience, serious misconduct or serious breach of duty. James' employment contract also includes a restraint of trade period of 12 months following expiry of the notice period. Enforceability of such restraint of trade is subject to all usual legal requirements.

It is intended that James will receive 800,000 options on the terms described in Section 6.4.2. On or about Completion, James will also receive approximately \$990,000 in connection with the existing equity incentive plan referred to in Section 6.4.3 below.

6.3.1.2 Dr Richard Henshaw

A Monash Group company, Healthbridge Repromed Pty Limited ('HRPL'), is party to an employment contract with Dr Richard Henshaw, a Director, which documents Richard's employment with Monash Group. Richard is employed as a Fertility Specialist as well as performing head office management services at the direction of the CEO. In FY2015, it is anticipated Richard will work 3 days per week and receive remuneration of approximately \$337,000 per annum.

Richard's employment may be terminated by either HRPL or Richard giving at least six months' notice in writing before the proposed date of termination, or in HRPL's case, HRPL may terminate the employment of Richard immediately and without payment in lieu of notice in certain circumstances including for any act of dishonesty, fraud, wilful disobedience, serious misconduct or serious breach of duty. Richard's employment contract also includes a restraint of trade period of 12 months following expiry of the notice period. Enforceability of such restraint of trade is subject to all usual legal requirements.

6.3.1.3 Director appointment letters

Prior to the Prospectus Date, each of the Directors has entered into appointment letters with the Company, confirming the terms of their appointment, their roles and responsibilities and Monash Group's expectations of them as Directors of the Company.

6.3.1.4 Non-executive Director remuneration

Under the Constitution, the Directors decide the total amount paid to all Directors as remuneration for their services as a Director. However, under the ASX Listing Rules, the total amount paid to all Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. This amount has been fixed by the Company at \$750,000. For the financial year ending 30 June 2015, it is expected that the fees payable to the current Directors

6. Key people, interests and benefits

will not exceed \$420,000 in aggregate. Annual Directors' fees currently agreed to be paid by the Company are \$130,000 to the Chairman, Mr Richard Davis, and \$80,000 to Mr Josef Czyzewski, Ms Christy Boyce and Mr Neil Broekhuizen.

In addition, the chair of the Audit and Risk Management Committee will be paid \$15,000 annually and the chair of the Remuneration and Nomination Committee will be paid \$10,000 annually. Other committee members will receive \$7,500 and \$5,000 per annum for serving on the Audit and Risk Management Committee and the Remuneration and Nomination Committee respectively. The remuneration of Directors must not include a commission on, or a percentage of, profits or income. Superannuation payments are included in these amounts.

The non-executive Directors are not entitled to participate in any Monash Group employee incentive scheme.

6.3.1.5 Deeds of access, insurance and indemnity for Directors

The Company has entered into deeds of indemnity, insurance and access with each Director which confirm each person's right of access to certain books and records of Monash Group for a period of seven years after the Director ceases to hold office. This seven year period may be extended where certain proceedings or investigations commence before the seven year period expires. The deed also requires the Company to provide an indemnity for liability incurred as an officer of the Company and its subsidiaries, to the maximum extent permitted by law.

Indemnification: Pursuant to the Constitution, the Company is required to indemnify Directors and employees, past and present, against liabilities allowed under law. Under the deeds of indemnity, insurance and access, the Company indemnifies each Director against all liabilities to another person that may arise from their position as a Director of the Company or its subsidiaries to the extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

Insurance: Pursuant to the Constitution, the Company may arrange and maintain directors and officers insurance for its Directors to the extent permitted by law. Under the deed of indemnity, insurance and access, the Company must obtain such insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

6.3.1.6 Other information

Directors may also be reimbursed for travel and other expenses incurred in attending to Monash Group's affairs. Non-executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as Director of the Company or a subsidiary.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

6.3.1.7 Directors' shareholdings

Directors are not required under the Constitution to hold any Shares in the Company. The Directors (and their associates) are entitled to apply for Shares under the Offer. On Completion, Mr James Thiedeman and Dr Richard Henshaw will hold 1,063,958 Shares and 1,833,801 Shares respectively. The following non-executive Directors have informed the Company that they, or superannuation funds they are associated with, intend to apply for Shares under the Offer: Mr Richard Davis (\$50,000), Mr Josef Czyzewski (\$50,000), Ms Christy Boyce (\$30,000) and Mr Neil Broekhuizen (\$185,000).

6.3.2 Leadership team interests and remuneration

6.3.2.1 Chief Executive Officer

See Section 6.3.1.1.

6.3.2.2 Dr Richard Henshaw

See Section 6.3.1.2.

6.3.2.3 Chief Financial Officer

A Monash Group company, Healthbridge IVF Holdings Pty Limited ('HIVFH'), is party to an employment contract with Mr Rodney Fox which documents Rodney's employment with Monash Group. Rodney is employed in the position of Chief Financial Officer. Rodney's annual remuneration package is comprised of a base salary of approximately \$290,000 and a bonus of up to 20% of the base salary.

The terms and conditions of Rodney's bonus, including as to targets, are determined by the Directors.

Rodney's employment may be terminated by either HIVFH or Rodney giving at least three months' notice in writing before the proposed date of termination, or in HIVFH's case, if Rodney becomes medically incapacitated, on three months' notice. HIVFH may terminate the employment of Rodney immediately and without payment in lieu of notice in certain circumstances including for any act of dishonesty, fraud, wilful disobedience, serious misconduct or serious breach of duty.

6. Key people, interests and benefits

Rodney's employment contract also includes a restraint of trade period of three months following expiry of the notice period. Enforceability of such restraint of trade is subject to all usual legal requirements.

On Completion, Rodney will hold 125,994 Shares. It is intended that Rodney will receive 200,000 options on the terms described in Section 6.4.2.

6.3.2.4 Senior management service arrangements

Senior members of management are party to contracts of employment with members of Monash Group under which either the Monash Group entity or the executive may terminate the executive's employment, generally after the expiry of two to six months' notice in writing. Employment contracts with key members of management also generally include a restraint of trade period ranging from three to 12 months following expiry of the notice period. Enforceability of such restraints of trade is subject to all usual legal requirements.

6.3.3 Interests of advisers

The Company has engaged the following professional advisers:

- + Macquarie and Morgan Stanley have acted as Joint Lead Managers to the Offer. The Company has paid, or agreed to pay, the Joint Lead Managers the fees described in Section 9.2.1 for these services;
- + Fort Street Advisers has acted as financial adviser in relation to the Offer. The Company has agreed to pay Fort Street Advisers \$1,500,000 (excluding disbursements and GST) subject to Completion. In addition, Fort Street Advisers may receive an incentive fee of up to \$600,000 (excluding disbursements and GST) at the Company's discretion;
- + Clayton Utz has acted as Australian legal adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately \$1,400,000 (excluding disbursements and GST) for these services up until the date of the Original Prospectus. Further amounts may be paid to Clayton Utz in accordance with its normal time based charges; and
- + Ernst & Young has performed work in relation to financial and tax due diligence enquiries for the Company in relation to the Offer and Ernst & Young Transaction Advisory Services Limited has acted as Investigating Accountant in relation to the Offer and has prepared the Independent Limited Assurance Report. The Company has paid, or agreed to pay, approximately \$1,450,000 in total (excluding disbursements and GST) for the above services up until the date of the Original Prospectus.

Macquarie Equities Limited and Morgan Stanley Wealth Management Australia Pty Ltd have agreed to act as Co-Managers to the Offer. Each will be paid fees of 1.5% of the value of Shares allocated to clients of that Broker. All amounts payable to them are payable by the Joint Lead Managers out of the fees payable to the Joint Lead Managers under the Underwriting Agreement.

Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.3.

6.4 Retention and incentive arrangements

The Company has established various incentive arrangements to assist in the attraction, motivation and retention of management, employees and Doctors of Monash Group, including the Long Term Incentive Plan summarised in Section 6.4.1 below.

6.4.1 Long Term Incentive Plan

Under the Company's Long Term Incentive Plan, awards (constituting SARs, performance rights or options, or any different class or category of award on such terms as the Board determines) may be offered to eligible persons (including executives, contractors, senior management, Doctors and other employees) selected by the Directors. Mr James Thiedeman (CEO and Managing Director) and Mr Richard Henshaw (executive Director) (and other executive Directors from time to time) are eligible to participate under the Long Term Incentive Plan. The invitations issued to eligible persons will include information such as award conditions and, upon acceptance of an invitation, the Directors will grant awards in the name of the eligible person.

Awards will not be listed and may not be transferred, assigned or otherwise dealt with except with the approval of the Directors.

Awards will only vest where the conditions (if any) advised to the participant by the Directors have been satisfied. An unvested award will lapse in a number of circumstances, including where conditions are not satisfied within the relevant time period, or in the opinion of the Directors, a participant has committed an act of fraud or misconduct or gross dereliction of duty.

6. Key people, interests and benefits

If a participant's engagement with the Company (or one of its subsidiaries) terminates before an award has vested, the Directors may determine the extent to which the unvested awards that have not lapsed will become vested awards or, if the award offer does not so provide and the Board does not decide otherwise, the unvested awards will automatically lapse.

Where there is a takeover bid or a scheme of arrangement proposed in relation to the Company, the Directors may determine that the participant's unvested awards will become vested awards. In such circumstances, the Directors shall promptly notify each participant in writing that the awards have become vested awards, or that he or she may, within the time period specified in the notice and where applicable in accordance with the class or category of award, exercise such vested awards.

A participant is not entitled to participate, in their capacity as holder of awards, in any new issue of Shares in the Company, nor in any return of capital, buyback or other distribution or payment to Shareholders, unless the Board determines otherwise. In the event of a bonus issue or rights issue, the rights of the award will be altered in a manner (if any) determined by the Board, consistent with the ASX Listing Rules.

In the event of any reorganisation of the issued ordinary capital of the Company before the exercise of an award, the number of Shares attaching to each award will be reorganised in the manner specified in the Long term Incentive Plan and in accordance with the ASX Listing Rules or, if the manner is not specified, the Board will determine the reorganisation. In any event, the reorganisation will not result in any additional benefits being conferred on participants which are not conferred on Shareholders of the Company.

Participants who hold an award issued pursuant to the Long Term Incentive Plan have no rights to vote at meetings of the Company until that award has vested (and is exercised, if applicable) and the participant is the holder of a valid Share in the Company.

Shares acquired upon vesting of the award will, upon issue, rank equally in all respects with other Shares.

No award or Share may be offered under the Long Term Incentive Plan if to do so would contravene the Corporations Act, the ASX Listing Rules or instruments of relief issued by ASIC from time to time.

6.4.2 Senior management

It is intended that, on or shortly following Completion, Mr James Thiedeman (CEO and Managing Director) and Mr Rodney Fox (CFO) will be granted 800,000 and 200,000 options respectively on the terms described below. James and Rodney will not need to pay any money to be granted those options, and there will be no loan from the Company for the acquisition of Shares on vesting of the options.

The options referred to above proposed to be granted to James and Rodney will include terms which provide that, on vesting, following payment of the exercise price of the Offer Price per option (being \$1.85), each option is exercisable into one Share (subject to adjustments in accordance with the ASX Listing Rules for certain capital actions). These options will be granted in two tranches, with each tranche subject to separate vesting conditions based upon external measures as follows:

- + The hurdle for 50% of the options will be based on an earnings per Share hurdle which measures the compound growth in the Company's earnings per Share ('EPSG') over a three year period. No options will vest at an EPSG below 8%, with vesting thereafter determined on a straight line scale with 100% vesting at an EPSG of 10%.
- + The hurdle for 50% of the options will be based on the Company's total shareholder return ('TSR') relative to a peer group of ASX listed companies determined by the Board over the three year performance period. In respect of this tranche, no options will vest if the TSR performance is less than 50th percentile, 50% will vest at median (i.e. the 50th percentile). TSR performance and vesting thereafter will be determined on a straight line scale, with 100% vesting if the TSR performance is greater than or equal to the 75th percentile. TSR growth is calculated based on the closing Share price, adjusted for dividends and capital movements, as at the start of the performance period and the end of the performance period.

The performance hurdles for each tranche of options are not interdependent, and it is possible for one tranche to vest while the others do not. In each case, the performance hurdles will only be measured once and there will be no retesting. The expiry date of the options will be on the fifth anniversary of their grant. No value will be received by James or Rodney if the performance hurdles are not met and the options do not vest.

6.4.3 Doctors

Monash Group has operated an equity incentive plan for eligible personnel, including Doctors. Equity under this incentive plan will be realised by Completion and (along with Existing Securities and the Pre-IPO Dividend) form part of each participant's Pre-Completion Interests. From Completion, Doctors will hold 50% of the value of these Pre-Completion Interests as Shares subject to the escrow arrangements described in Section 6.5 (11.2% of Shares on issue). The Directors believe these arrangements will continue to assist to align interests of Doctors with the interests and purposes of Monash Group. Further, after Completion, Doctors may be eligible to be granted awards under the Company's Long Term Incentive Plan described above in Section 6.4.1. The Directors have not determined to make any such awards to Doctors under this plan at present, but may in the future where determined appropriate to do so, for example as performance incentives to Fertility Specialists to increase the number of Patient Treatments provided or when new Doctors are engaged.

6. Key people, interests and benefits

Awards granted to Doctors under the Company's Long Term Incentive Plan may take the form of share appreciate rights ('SARs'). Indicative terms and conditions of such awards that may be granted to Doctors in the future are set out below.

Vesting/exercise conditions

SARs granted to Doctors may vest in three tranches on the third, fourth and fifth anniversaries of the grant of the SARs, provided the participant remains engaged or employed by Monash Group and conditional upon the satisfaction of threshold performance conditions as determined appropriate by the Board in the year pursuant to which the SARs were awarded.

Further, a SAR may not be exercised unless the Share price at the relevant time is greater than the Share price at the time of the grant.

Doctors will not need to pay an exercise price to exercise the SARs.

Number and offer value

Where the applicable vesting and exercise conditions are met, the SARs will be exercisable into a variable number of Shares as indicated below.

The offer value at the time of grant of the SAR will be determined by the Board, and any increase in value may reflect any increase in provider fees per Patient Treatment from the previous year's level or as otherwise determined by the Board having regard to a number of factors which may include the offer value applied to SARs granted to other Doctors in that year.

The value of the SARs granted to Doctors will depend on the prevailing Share price at the time of exercise and, accordingly, the value at that time may be less than or greater than the offer value.

Number of Shares to be delivered on exercise of SARs

SARs may be granted in three separate tranches reflecting vesting on the third, fourth and fifth anniversary of grant. For example, in respect of the first tranche, the number of Shares to be delivered on exercise of a SAR would be determined as follows:

$$\text{Shares} = \frac{\text{Base Position} \times A}{B}$$

rounded up to the nearest Share. Where:

Base Position = the applicable component of the offer value attributable to the first tranche (e.g. one third of the offer value) divided by the Share price at the time the SAR is granted.

A = the amount of the increase in the Share price between the date of grant and the vesting date.

B = the Share price at the vesting date.

Worked example, assuming that:

- the applicable component of the offer value is \$75,000;
- the Share price at the date of the SAR grant is \$5.00;
- the Share price at the date of vesting is \$6.00; and
- the Doctor satisfies the vesting conditions.

Base Position = \$15,000 (\$75,000/\$5.00)

A = \$1.00 (\$6.00 - \$5.00)

B = \$6.00

$$\text{Shares} = \frac{\$15,000 \times \$1.00}{\$6.00} = 2,500 \text{ Shares}$$

Escrow arrangements

Shares issued on exercise of SARs may be subject to escrow at the discretion of the Board.

6. Key people, interests and benefits

6.5 Escrow arrangements

Existing Owners referred to below have agreed to enter into voluntary escrow arrangements in relation to certain of the Shares they will hold in Monash IVF Group Limited on Completion. An 'escrow' is a restriction on sale, disposal, or encumbering of, or certain other dealings in respect of, the Shares concerned for the period of the escrow, subject to exceptions set out in the escrow arrangement.

Table 42 Summary of escrow arrangements

Sources of funds	Number of Shares subject to escrow on Completion	Escrowed Shares (as a % of Shares on issue on Completion)
Doctors ⁽¹⁾	25.9	11.2%
Management ⁽²⁾	1.8	0.8%
Ironbridge Funds	11.6	5.0%
Other Existing Owners	–	–%
Total	39.2	17.0%

Notes:

(1) Includes 1.3 million Shares subject to escrow to be held by Richard Henshaw (executive Director).

(2) Includes 0.9 million Shares subject to escrow to be held by James Thiedeman (CEO and Managing Director) and 0.1 million Shares subject to escrow to be held by Rodney Fox (CFO).

Doctors

The extent of the escrow which will apply to a Doctor on Completion is calculated by reference to the aggregate value of that person's Pre-Completion Interests in Monash Group.

For example, on Completion, Shares equivalent to 50% of a Doctor's Pre-Completion Interest will be held by or on behalf of the Doctor subject to escrow as follows:

- + Shares equivalent to 10% of a Doctor's Pre-Completion Interest will be held in short-term escrow, with 3.33% being released from escrow on the first trading day in Shares following the announcement to ASX by Monash Group of its preliminary final report for FY2015. Following each of the two subsequent announcements of Monash Group's preliminary final report (up to and including the preliminary final report for FY2017), Shares equivalent to a further 3.33% per year of a Doctor's Pre-Completion Interest will be released (if not otherwise released) from escrow. All of this short-term escrow will be released where the Doctor becomes a 'good leaver' (as described below).
- + Shares equivalent to 20% of a Doctor's Pre-Completion Interest will be released when the Doctor reaches the age of 63. These Shares may be otherwise released from escrow in the following circumstances:
 - for Doctors who are aged 63 or older at the time of Completion or who turn 63 within two years of Completion, these Shares will be released from escrow on the second anniversary of Completion; or
 - where a Doctor becomes a 'relocated leaver' (as described below), these Shares will be released from escrow five years after the date that they become a 'relocated leaver'; or
 - where a Doctor dies or leaves Monash Group as a result of becoming permanently disabled or seriously disabled, these Shares will be released from escrow on the date of the relevant occurrence (as resolved by the Board acting reasonably); or
 - if the Board determines to release the Shares from escrow earlier.
- + Shares equivalent to the final 20% of a Doctor's Pre-Completion Interest will be released from escrow:
 - on retirement by the Doctor from the Assisted Reproductive Services industry (provided a Doctor must have used their best endeavours to transition their practice to another Doctor to the satisfaction of the Board); or
 - if the Doctor becomes a 'good leaver' or a 'relocated leaver' (as described below); or
 - five years after the Doctor leaves Monash Group in other circumstances.

Doctors will be able to sell any non-escrowed Shares at any time following Completion, subject to complying with insider trading restrictions and Monash Group's Securities Trading Policy.

6. Key people, interests and benefits

The escrow arrangements describe the circumstances in which a Doctor is a 'good leaver' or a 'relocated leaver' in the following manner:

- + A Doctor is a 'good leaver' where:
 - they leave Monash Group as a result of death, serious disability or permanent incapacity through ill health (as determined by Monash Group's Board, acting reasonably); or
 - they or Monash Group terminates the Doctor's contract in specific circumstances; or
 - the Board determines, in its discretion, that the Doctor is a 'good leaver'.
- + A Doctor is a 'relocated leaver' if they terminate their contract and the Board is satisfied that:
 - the Doctor genuinely intends to relocate permanently to a place which is more than 100 km from any clinic operated by Monash Group or any of its subsidiaries; and
 - the Doctor also intends to provide Assisted Reproductive Services in the place the Doctor is relocating to; and
 - the Doctor has used their best endeavours to transition their practice to another Doctor at Monash Group.

Management

For management Shareholders (including Mr James Thiedeman and Mr Rodney Fox), on Completion, Shares equivalent to 50% of their Pre-Completion Interest will be held by or on behalf of the member of management subject to escrow until the first trading day in Shares following announcement to ASX by Monash Group of its preliminary final report for FY2015.

Ironbridge Funds

For Ironbridge Funds, all Shares held by them on Completion (11.6 million Shares in aggregate) will be held by the Ironbridge Funds subject to escrow until the first trading day in Shares following announcement by Monash Group of its preliminary final report for FY2015.

Restrictions on dealing with Shares the subject of escrow

During the relevant escrow periods, the Shareholders whose Shares are subject to escrow may not deal with any of their Shares in any way other than:

- + if the dealing is in relation to a reorganisation of their shareholding ownership structure where control of the Shares is retained by the ultimate controller, if Monash Group has given its consent to the reorganisation and the new holder has agreed to be bound by the same escrow arrangements;
- + with prior written consent of Monash Group;
- + pursuant to a court order compelling the Shares to be disposed of or a security interest to be created over them;
- + if the Shareholder dies, pursuant to a transfer by the personal representative of the Shareholder to a person to whom the Shares are bequeathed where that person has agreed to be bound by the same escrow arrangements;
- + to allow acceptance of a takeover offer which is or has become unconditional and where at least half of the non-escrowed Shares have already accepted the offer;
- + to allow the Shareholder to tender their Shares into a bid acceptance facility for a takeover offer where the holders of at least half of the non-escrowed Shares have already accepted the offer and tendered their Shares into the bid acceptance facility;
- + in connection with the transfer or cancellation of Shares as part of a scheme of arrangement, share buyback return of capital or other similar reorganisation or an acquisition of share capital that has received all necessary approvals.

In addition to the above exceptions, the Ironbridge Funds will not be restricted from transferring some or all escrowed Shares to a company wholly owned by the Ironbridge Fund, a trust in relation to which the Ironbridge Fund is the beneficiary, or an affiliate or affiliated fund of the Ironbridge Fund, where the relevant transferee enters into an escrow arrangement with the Company on substantially the same terms as the escrow arrangement the Ironbridge Fund entered into. Further, the Ironbridge Funds may grant a security interest over some or all escrowed Shares to a bona fide third party financial institution as security for a loan, hedge or other financial accommodation provided that the security interest does not in any way constitute a direct or indirect disposal of the economic interests, or decrease an economic interest that the Ironbridge Fund has in any of its escrowed Shares, and no escrowed Shares may be transferred or delivered to the financial institution in connection with the security interest (with the documentation for such security interest making clear that the escrowed Shares remain in escrow and are subject to the voluntary escrow arrangements for the term of those arrangements).

If a takeover or reorganisation or acquisition of share capital does not successfully complete, the holding lock will be reapplied to the escrowed Shares.

The restriction on dealing is broad and includes, among other things, selling, assigning or transferring, or agreeing or offering to sell, assign or transfer, the relevant Shares, entering into an option which would enable or require the relevant Shares to be sold, assigned or transferred or creating or agreeing to create any security interest over the Shares.

6. Key people, interests and benefits

6.6 Corporate governance

This Section explains how the Board will oversee the management of Monash Group's business. The Board is responsible for the overall corporate governance of Monash Group. The Board monitors the operational and financial position and performance of Monash Group and oversees its business strategy, including approving the strategic goals of Monash Group and considering and approving an annual business plan, including a budget. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of Monash Group. In conducting business with these objectives, the Board seeks to ensure that Monash Group is properly managed to protect and enhance Shareholder interests, and that Monash Group, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Monash Group, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Monash Group's business and which are designed to promote the responsible management and conduct of Monash Group.

The main policies and practices adopted by Monash Group, which will take effect from listing, are summarised below. In addition, many governance elements are contained in the Constitution. Monash Group's code of conduct outlines the standards of conduct expected of Monash Group's business and personnel in a range of circumstances. In particular, the code requires awareness of, and compliance with, laws and regulations relevant to Monash Group's other policies and procedures. Details of Monash Group's key policies and practices and the charters for the Board and each of its committees will be available from listing at www.monashivfgroup.com.au.

The Company is seeking a listing on ASX. The ASX Corporate Governance Council has developed and released corporate governance recommendations for Australian listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. The recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that is not being followed and give reasons for not following it. Except as set out below, the Board does not anticipate that it will depart from the recommendations of the ASX Corporate Governance Council; however, it may do so in the future if it considers that such a departure would be reasonable.

6.6.1 Board of Directors

The Board of Directors is comprised of the Chairman, the Chief Executive Officer, three further non-executive Directors and an executive Director. Detailed biographies of the Board members are provided in Section 6.1.

Each Director above has confirmed to the Company that he or she anticipates being available to perform his or her duties as a non-executive or executive Director, as the case may be, without constraint from other commitments.

The Board considers that each of Mr Richard Davis, Mr Josef Czyzewski and Ms Christy Boyce are independent Directors, free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of the Director's judgment and each are able to fulfil the role of an independent director for the purposes of the ASX Corporate Governance Principles and Recommendations (third edition). As Chief Executive Officer, Mr James Thiedeman is not currently considered by the Board to fulfil the role of independent Director; similarly, as executive Director, Dr Richard Henshaw is not currently considered by the Board to fulfil the role of independent Director.

Except for Mr Neil Broekhuizen, none of the Directors are acting as nominees or representatives of any current or former shareholder of companies in Monash Group, nor as nominees or representatives of the Joint Lead Managers or suppliers to Monash Group. Mr Neil Broekhuizen has an indirect interest in (and is a director of) Ironbridge Capital, which has provided (and will until Completion provide) advisory services to the Ironbridge Funds that are currently among the Existing Owners of Monash Group. He also has an employment agreement with a company affiliated with Ironbridge Capital and an indirect interest in the Ironbridge Funds. Mr Neil Broekhuizen was nominated as a Director to Monash Group by representatives of those funds in August 2008 and those funds will continue to hold an interest in the Company on Completion as described in Sections 7.1.4 and 6.5. The Board does not currently consider Mr Broekhuizen to be independent; however, it may do so were the Ironbridge Funds to sell their holdings in the Company.

Despite not having a majority of independent Directors, the Board has considered the Company's immediate requirements as it transitions to an ASX listed company and is satisfied that the composition of the Board reflects an appropriate range of independence, skills and experience for the Company after listing.

6.6.2 Board charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- + the roles and responsibilities of the Board, including to provide overall strategic guidance for Monash Group, oversight of risk management and reporting, effective oversight of management, monitoring of Board and management performance and oversight of governance;

6. Key people, interests and benefits

- + the roles and responsibilities of the Chairman and company secretary;
- + the membership of the Board, including in relation to the Board's composition and size and the process of selection and re-election of Directors, terms of appointment of Directors, independence of Directors and conduct of individual Directors;
- + the delegations of authority of the Board to both committees of the Board and to the Chief Executive Officer and other management of Monash Group; and
- + Board process, including how the Board meets.

The management function is conducted by, or under the supervision of, the Chief Executive Officer as directed by the Board (and by officers to whom the management function is properly delegated by the Chief Executive Officer). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to access senior management and to request additional information at any time they consider it appropriate.

The Board collectively, and individual Directors, may seek independent professional advice at Monash Group's expense, subject to the approval of the Chairman or the Board as a whole.

6.6.3 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit and Risk Management Committee and a Remuneration and Nomination Committee, and other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of Monash Group, relevant legislative and other requirements and the skills and experience of individual Directors.

6.6.3.1 Audit and Risk Management Committee

Under its charter, this committee must have at least three members, a majority of whom (including the Chairman) must be independent and all of whom must be non-executive Directors. Currently, Mr Richard Davis, Mr Josef Czyzewski and Ms Christy Boyce, are members of this committee, and Josef will act as chair. In accordance with its charter, it is intended that all members of the committee should be financially literate and have familiarity with financial management, and at least one member should have relevant qualifications and experience. The primary role of this committee includes:

- + overseeing the process of financial reporting (including to assist the Chief Executive Officer or Chief Financial Officer to provide its declaration under section 295A of the Corporations Act), internal control, continuous disclosure, financial and non-financial risk management and compliance and external audit;
- + monitoring Monash Group's compliance with laws and regulations and Monash Group's own codes of conduct and ethics;
- + encouraging effective relationships with, and communication between, the Board, management and Monash Group's external auditor;
- + evaluating the adequacy of processes and controls established to identify and manage areas of potential risk and to seek to safeguard the assets of Monash Group.

Under the charter, it is the policy of Monash Group that its external auditing firm must be independent of it. The committee will review and assess the independence of the external auditor on an annual basis.

6.6.3.2 Remuneration and Nomination Committee

Under its charter, this committee must have at least three members, a majority of whom (including the chairman) must be independent Directors and all of whom must be non-executive Directors. Currently, Mr Richard Davis, Mr Josef Czyzewski and Ms Christy Boyce are members of this committee, and Christy will act as chair. The main functions of the committee are to assist the Board with a view to establishing a Board of effective composition, size, diversity, expertise and commitment to adequately discharge its responsibilities and duties, and assist the Board with a view to discharging its responsibilities to Shareholders and other stakeholders to seek to ensure that Monash Group:

- + has coherent remuneration policies and practices which enable Monash Group to attract and retain executives and Directors who will create value for Shareholders, including succession planning for the Board and executives;
- + fairly and responsibly remunerates Directors and executives, having regard to the performance of Monash Group, the performance of the executives and the general remuneration environment;
- + has policies to evaluate the performance of the Board, individual Directors and executives on (at least) an annual basis; and
- + has effective policies and procedures to attract, motivate and retain appropriately skilled and diverse persons to meet Monash Group needs.

6. Key people, interests and benefits

6.6.4 Risk management policy

The identification and proper management of Monash Group's risks are an important priority of the Board. The Board has adopted a risk management policy appropriate for its business. This policy highlights the risks relevant to Monash Group's operations and Monash Group's commitment to designing and implementing systems and methods appropriate to minimise and control its risks.

The Board is responsible for overseeing and approving risk management strategy and policies, monitoring risk management, and establishing procedures which seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed. The Board may delegate these functions to the Audit and Risk Management Committee or a separate risk committee in the future.

The Board will regularly undertake reviews of its risk management procedures to ensure that it complies with its legal obligations.

The Board has in place a system whereby management is required to report as to its adherence to policies and guidelines approved by the Board for the management of risks.

6.6.5 Diversity policy

Monash Group values a strong and diverse workforce and is committed to developing measurable objectives to achieve gender diversity in its workplace. The Company has implemented a diversity policy which is overseen by the Remuneration and Nomination Committee and which aligns Monash Group's management systems with the commitment to develop a culture and business model that values and achieves diversity in its workforce and on its Board.

6.6.6 Code of conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct, to take effect from listing on ASX, to be followed by all employees, contractors and officers. The key aspects of this code are to:

- + act with honesty, integrity and fairness and in the best interest of Monash Group and in the reasonable expectations of the Company's Shareholders;
- + act in accordance with all applicable laws, regulations, policies and procedures;
- + have responsibility and accountability for individuals for reporting and investigating reports of unethical practices; and
- + use Monash Group's resources and property properly.

The code of conduct sets out Monash Group's policies on various matters including ethical conduct, business and personal conduct, compliance, privacy, security of information, financial integrity, and conflicts of interest.

6.6.7 Continuous disclosure policy

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company will be required to disclose to ASX any information concerning Monash Group which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. The Company is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company has adopted a policy to take effect from listing which establishes procedures which are aimed at ensuring that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. Under the disclosure policy, the Board will be responsible for managing the Company's compliance with its continuous disclosure obligations.

6.6.8 Securities trading policy

The Company has adopted a securities trading policy which will apply to Monash Group and its Directors, senior management and employees, including those persons having authority and responsibility for planning, directing and controlling the activities of Monash Group, whether directly or indirectly.

The policy is intended to explain the types of conduct in relation to dealings in Shares that is prohibited under the Corporations Act and establish procedures in relation to Directors, senior management, employees or contractors dealing in the Shares.

6. Key people, interests and benefits

Subject to certain exceptions, including exceptional financial circumstances, the policy defines certain 'prohibited periods' during which trading in Shares by Monash Group's Directors, officers and certain employees and contractors is prohibited. Those prohibited periods are currently defined as the following periods:

- + the Company's year end until the business day after the release of the full year results;
- + the Company's half year end until the business day after the release of the half yearly results; and
- + any additional periods imposed by the Board from time to time (for example when the Company is considering matters which are subject to ASX Listing Rule 3.1A).

Outside of these periods, Directors, senior management and certain other employees and contractors must receive clearance for any proposed dealing in Shares and, in all instances, buying or selling Shares is not permitted at any time by any person who possesses price-sensitive information.

6.6.9 Shareholder communications

The Board wishes to ensure that Shareholders are provided with sufficient information to assess the performance of Monash Group and that Shareholders are informed of all major developments affecting the affairs of Monash Group.

Monash Group is required by law to communicate to Shareholders through the lodgement of all relevant financial and other information with ASX and publishing information on Monash Group's website, www.monashivfgroup.com.au.

Monash Group's website will also contain information about it, including media releases, key policies and the charters of its Board committees.

6.6.10 Compliance

Monash Group must comply with State and Commonwealth law and regulations, including privacy regulations and regulations described in Section 2.10. Monash Group is focused on the wellbeing of its patients and outcomes which provide the best clinical results. Each of Monash Group's clinics has the relevant licences and accreditations required by law.

6.7 Transactions with Shareholders

6.7.1 Shareholder loans

In connection with the acquisition of Next Generation Fertility, HEPL provided approximately \$0.2 million of loans to an entity associated with one Doctor to enable that entity to subscribe for shares in HEPL (which shares will be acquired by the Company through a wholly owned subsidiary on Completion). These loans will remain in place after Completion.

In connection with the acquisition of KL Fertility, Healthbridge IVF Holdings Pty Ltd will provide 347,000 Malaysian Ringgit of loans to one Doctor to enable that doctor to fully pay up shares in KL Fertility (which shares will be acquired by Healthbridge IVF Holdings Pty Ltd on Completion). This loan will remain in place after Completion.

6.7.2 Relationship with Ironbridge

Certain Existing Owners, including the Ironbridge Funds, are parties to a shareholders agreement in relation to HEPL which was entered into in 2008 and amended from time to time since that date. In 2013, a nominee of the Ironbridge Funds, Ironbridge Capital, was paid a fee of \$1 million for its advisory work in relation to the restructure of minority interests in subsidiary companies, into interests in HEPL, and refinancing of the existing debt facilities, and \$200,000 for other advisory services. Monash Group will pay Ironbridge Capital a further \$200,000 for services provided up to Completion. The shareholders agreement referred to above will terminate on Completion and no further fees will be paid under it after this time.



7. Details of the Offer

7. Details of the Offer

7.1 Description of the Offer

This Prospectus relates to an initial public offering of 170.7 million Shares to investors in Monash IVF Group Limited at an offer price of \$1.85 per Share. On Completion, 60.3 million Shares will be held by Existing Owners (with 39.2 million subject to voluntary escrow arrangements described in Section 6.5). The total number of Shares on issue at Completion will be 231.1 million. All Shares will rank equally with each other.

The Offer comprises the Broker Firm Offer (see Section 7.3), the Priority Offer (see Section 7.4) and the Institutional Offer (see Section 7.5). There is no general public offer of Shares.

The Offer is fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.2.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Purpose of the Offer

The purpose of the Offer is:

- + to enable the Company to acquire, through a wholly owned subsidiary, the Existing Securities in HEPL (the current holding company of Monash Group) from the Existing Owners;
- + to fund the part repayment of the existing bank debt and associated hedges of Monash Group;
- + to provide a liquid market for Shares in the Company;
- + to provide Monash Group with the benefits of an increased profile that arises from being listed;
- + to provide Monash Group with access to the capital markets to improve capital management flexibility; and
- + to assist Monash Group in attracting and retaining quality staff.

7.1.2 Offer proceeds

The Offer is expected to raise approximately \$315.9 million for the Company. Section 7.1.3 describes how this amount, and other funds referred to in that Section, will be used in connection with the Offer.

7.1.3 Sources and uses of funds

Table 43 Sources and uses of funds

Sources of funds	Note	\$ million	%
Cash proceeds received for the issue of Shares to investors under the Offer	(1)	315.9	75.1%
Drawdown of New Banking Facilities		96.0	22.8%
Proceeds from the repayment of HEPL shareholder loans		1.1	0.3%
Existing cash	(2)	7.8	1.9%
Total sources		420.8	100.0%

Notes:

- (1) This comprises \$234.2 million to be used to fund cash proceeds to Existing Owners as part consideration for the acquisition of the Existing Securities in HEPL and \$81.7 million of cash that will be available for use by Monash Group (used to fund, in part, repayment of existing bank debt and associated hedges and pay the costs of the Offer).
- (2) The amount of existing cash shown as a source of funds at Completion in the above table is lower than the \$35.0 million pro forma reduction in cash and cash equivalents in the balance sheet at 31 December 2013 outlined in Section 4.4.1 because the pro forma reduction in cash and cash equivalents in the 31 December 2013 balance sheet includes the cash payments for the Pre-IPO Dividend (\$25.2 million) and does not include expected cash movements between 31 December 2013 and Completion. These expected cash movements include \$5.4 million repayment of existing debt, partially offset by \$1.0 million receipt of shareholder loans and \$2.5 million additional cash required for the payment of interest on Preference Shares and Promissory Notes.

7. Details of the Offer

Uses of funds	Note	\$ million	%
Payment of cash proceeds to Existing Owners as part consideration for the acquisition of the Existing Securities in HEPL	(3)	234.2	52.5%
Repayment of existing bank debt and associated hedges	(4)	166.7	42.6%
Payment of costs and fees associated with the Offer and other costs	(5)	20.0	4.9%
Total uses		420.8	100.0%

Notes:

- (3) This reflects only the cash component of the consideration paid to Existing Owners for the acquisition of the Existing Securities in HEPL. Existing Owners will also be issued \$111.6 million worth of Shares (60.3 million Shares). Refer to Section 7.1.4 for further information.
- (4) The amount of existing bank debt and associated hedges repaid at Completion in the above table is lower than the \$172.0 million in the balance sheet at 31 December 2013 outlined in Section 4.4.1 because there was a \$5.4 million repayment of existing debt made between 31 December 2013 and the date of the Original Prospectus.
- (5) The costs and fees associated with the Offer include the fees payable to advisers as referred to in Section 6.3.3, fees payable to Ironbridge Capital prior to Completion as referred to in Section 6.7.2, as well as other costs such as certain costs of the New Banking Facilities, registry fees, insurance costs and other adviser fees.

7.1.4 Formation of Monash IVF Group Limited

Monash IVF Group Limited was incorporated in Victoria, Australia on 30 April 2014 and will become the new holding company for Monash Group as part of settlement of the Offer. At the Prospectus Date, Monash IVF Group Limited has not traded and has one Share on issue held by Mr James Thiedeman.

As part of settlement of the Offer, the following key steps will occur:

- + Monash IVF Group Limited will acquire Monash Group through a wholly owned subsidiary, from the Existing Owners, and will have a corporate structure as illustrated below. The Existing Owners will receive cash and Shares in Monash IVF Group Limited in the aggregate amounts described in Section 7.1.3;
- + Existing Owners will receive payment of the Pre-IPO Dividend in respect of the operations of Monash Group prior to Completion of \$25.2 million; and
- + proceeds received will be dealt with as described in Section 7.1.3.

Monash IVF Group Limited (through a wholly owned subsidiary) will acquire Monash Group from the Existing Owners on settlement of the Offer pursuant to Sale Deeds described in Section 9.1. Obligations under the Sale Deeds are conditional on the Underwriting Agreement referred to in Section 9.2 remaining in effect, and the Offer proceeding, at the requisite time on the date of settlement of the Offer.

Contemporaneously with the above, a Monash Group company will acquire all the ordinary shares in the company which operates KL Fertility currently held by Doctors, with the result that that company will become an indirect wholly owned subsidiary of the Company.

The details of Monash Group's corporate structure following Completion are set out in the diagram below:

Diagram 11 Monash Group's corporate structure



Note:

- (1) On Completion, all operating subsidiaries will be wholly owned except for a 25% unitholding in ISIS Fertility (a fertility clinic which operates in the ACT).

7. Details of the Offer

The ownership structure in respect of Monash Group immediately before and following Completion is set out in Table 44 below along with payments to be received on Completion by Existing Owners in respect of their Pre-Completion Interests:

Table 44 Ownership structure of Monash IVF Group Limited

	Pre-Completion Interest ⁽¹⁾	Cash paid/ (received) under the Offer and Pre-IPO Dividend	On Completion ⁽²⁾		
			\$ million	\$ million	Shares (million) %
Doctors ⁽³⁾	25.8%	(17.3)	78.4	42.4	18.3%
Management ⁽⁴⁾	1.8%	(1.8)	4.9	2.6	1.1%
Ironbridge Funds	51.1%	(168.4)	21.4	11.6	5.0%
Other Existing Owners	21.3%	(71.9)	7.0	3.8	1.6%
New Shareholders ⁽⁵⁾	–	315.9	315.9	170.7	73.9%
Total	100.0%		427.5⁽⁶⁾	231.1	100.0%

Notes:

- (1) Pre-Completion Interest represents the Existing Owners' interest in Monash Group prior to Completion (including ordinary shares, Preference Shares and Promissory Notes and the Pre-IPO Dividend to be paid by HEPL, the existing holding company of Monash Group). This is substantially the same proportion as the proportion of ordinary shares held in that company by each of the above groups of Existing Owners.
- (2) On Completion, Existing Owners (and new Shareholders) will only hold ordinary shares in the Company (except for the options as described below).
- (3) 'Doctors' includes Fertility Specialists, sonologists and other doctors employed or engaged by Monash Group. The holdings of Doctors are held directly, or indirectly through family companies or trusts. In this table, the Doctors' Pre-Completion Interest includes proceeds to be realised on Completion from an existing equity incentive plan referred to in Section 6.4.3.
- (4) Management comprises 10 members of management of Monash Group including Mr James Thiedeman (CEO and Managing Director) and Mr Rodney Fox (CFO). James and Rodney will be granted 800,000 and 200,000 options respectively on or around Completion pursuant to the terms of the Long Term Incentive Plan as set out in Section 6.4.1. See Sections 6.3.1 and 6.3.2 for further information about Dr Richard Henshaw (executive Director), James and Rodney's interests.
- (5) This includes 170,270 Shares which the non-executive Directors are expected to acquire under the Offer, as further described in Section 6.3.1.7.
- (6) Equal to market capitalisation at the Offer Price, calculated as the Offer Price multiplied by the total number of Shares on issue at Completion.

The Directors do not expect any Shareholder to control the Company on Completion.

Information on the number of Shares to be held on Completion that will be subject to escrow arrangements, and details of those escrow arrangements, is set out in Section 6.5.

7.1.5 Other information about Monash Group

Monash Group's Pro Forma Balance Sheet following Completion, including details of the pro forma adjustments, is set out in Section 4.4.1.

Monash Group's capitalisation and indebtedness as at 31 December 2013, before and following Completion, is set out in Section 4.4.4.

Monash IVF Group Limited is taxed as an Australian tax resident public company for the purpose of Australian income tax law.

The Directors believe that, on Completion, Monash Group will have sufficient funds available from the Offer, its operations and the New Bank Facilities to fulfil the purposes of the Offer and meet its stated business objectives.

7. Details of the Offer

7.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in Monash IVF Group Limited).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.12 below.
What is the consideration payable for each security?	The offer price is \$1.85 per Share.
What is the offer period?	The key dates, including details of the offer period, are set out in key dates on page 3. No securities will be issued on the basis of this Prospectus later than the Expiry Date.
What are the cash proceeds to be raised under the Offer?	\$315.9 million will be raised from investors under the Institutional Offer, the Broker Firm Offer and the Priority Offer.
What is the minimum and maximum application size under the Broker Firm Offer?	The minimum application under the Broker Firm Offer is \$2,000, and in multiples of \$500 thereafter, as directed by the applicant's Broker. The Joint Lead Managers and the Company reserve the right to reject any application or to allocate a lesser number of Shares than applied for. There is no maximum value of Shares that may be applied for under the Broker Firm Offer.
What is the guaranteed minimum and maximum application size under the Priority Offer?	Applicants under the Priority Offer will receive a guaranteed minimum allocation of \$2,000 of Shares. The minimum application under the Priority Offer is \$2,000, and in multiples of \$500 thereafter. The Joint Lead Managers and the Company reserve the right to allocate fewer Shares than applied for under the Priority Offer (subject to the guaranteed minimum allocation referred to above). There is no maximum value of Shares that may be applied for under the Priority Offer.
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer and the Institutional Offer was determined by the Joint Lead Managers and the Company having regard to the allocation policy outlined in Section 7.3.6 and Section 7.5.2. With respect to the Broker Firm Offer, it will be a matter for the Brokers to determine how they allocate Shares among their eligible clients. The final allocation of Shares under the Priority Offer will be determined by the Joint Lead Managers and the Company in their discretion (subject to the guaranteed minimum allocation).
When will I receive confirmation as to whether my application has been successful?	It is expected that initial holding statements will be despatched by standard post on or about 27 June 2014.

7. Details of the Offer

Topic	Summary
Will the securities be quoted?	<p>The Company has applied for admission to the official list of ASX and quotation of Shares on ASX under the code 'MVF'. Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all application monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the official list is not to be taken as an indication of the merits of Monash Group or the Shares offered for subscription.</p>
When are the securities expected to commence trading?	<p>It is expected that trading of the Shares on ASX will commence on or about 26 June 2014, initially on a deferred settlement basis until the Company has advised ASX that holding statements have been despatched to Shareholders. Normal settlement trading is expected to commence on or about 30 June 2014.</p> <p>It is the responsibility of each applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.</p> <p>The Company and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Monash Group Offer Information Line, by a Broker or otherwise.</p>
Is the Offer underwritten?	Yes. The Joint Lead Managers have fully underwritten the Offer. Details are provided in Section 7.1.
Are there any escrow arrangements?	Yes. Details are provided in Section 6.5.
Has any ASIC relief or ASX waiver been sought, obtained or been relied on?	Except as described in Section 7.9 and 7.10, no.
Are there any tax considerations?	Refer to Section 9.7.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by applicants on acquisition of Shares under the Offer. See Sections 9.2.1 and 6.3.3 for details of various fees payable by the Company to the Joint Lead Managers and by the Joint Lead Managers to the Co-Managers.
What should I do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Monash Group Offer Information Line on 1800 063 366 from 8.30am to 5.30pm (Sydney time), Monday to Friday (Business Days only). If you are unclear in relation to any matter or are uncertain as to whether Monash Group is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

7. Details of the Offer

7.3 Broker Firm Offer

7.3.1 Who can apply?

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia. If you have been offered a firm allocation by a Broker, you will be treated as an applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

7.3.2 How to apply

Applications for Shares may only be made on a Broker Firm Application Form attached to or accompanying this Prospectus which may be downloaded in its entirety from www.monashivfgroup.com.au. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Application Form with the Broker from whom you received your firm allocation. Broker Firm Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Broker Firm Application Form.

By making an application, you declare that you were given access to this Prospectus (or any replacement Prospectus), together with a Broker Firm Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum application under the Broker Firm Offer is \$2,000 worth of Shares and in multiples of \$500 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, the Company and the Joint Lead Managers reserve the right to aggregate any applications which they believe may be multiple applications from the same person or reject or scale back any applications in the Broker Firm Offer which are for more than \$250,000. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Broker Firm Application Form and application monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm Application Forms to the Share Registry.

The Broker Firm Offer opens at 9.00am (Sydney time) on 20 June 2014 and is expected to close at 5.00pm (Sydney time) on 23 June 2014. The Company and the Joint Lead Managers may elect to extend the Offer or any part of it, or accept late applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their applications as early as possible. Please contact your Broker for instructions.

7.3.3 How to pay

Applicants under the Broker Firm Offer must pay their application monies in accordance with instructions received from their Broker.

7.3.4 Application monies

The Company reserves the right to decline any application in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their application monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose applications are accepted in full will receive the whole number of Shares calculated by dividing the application amount by the Offer Price. Where the Offer Price does not divide evenly into the application amount, the number of Shares to be allocated will be determined by the applicant's Broker.

Cheque(s) or bank draft(s) must be in Australian Dollars and drawn on an Australian branch of an Australian bank, must be crossed 'Not Negotiable' and must be made payable in accordance with the directions of the Broker from whom the applicant received a firm allocation.

Applicants should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s) or bank draft(s). If the amount of your cheque(s) or bank draft(s) for application monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on your Broker Firm Application Form, you may be taken to have applied for such lower dollar amount of Shares as for which your cleared application monies will pay (and to have specified that amount on your Broker Firm Application Form) or your application may be rejected.

7. Details of the Offer

7.3.5 Acceptance of applications

An application in the Broker Firm Offer is an offer by an applicant to the Company to subscribe for Shares in the amount specified on the Broker Firm Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Broker Firm Application Form. To the extent permitted by law, an application by an applicant under the Offer is irrevocable.

An application may be accepted by the Company and the Joint Lead Managers in respect of the full number of Shares specified on the Broker Firm Application Form or any of them, without further notice to the applicant. Acceptance of an application will give rise to a binding contract.

7.3.6 Broker Firm Offer allocation policy

The allocation of firm stock to Brokers will be determined by the Joint Lead Managers and the Company. Shares which have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the applicants who have received a valid allocation of Shares from those Brokers (subject to the right of the Company and the Joint Lead Managers to reject or scale back applications which are for more than \$250,000). It will be a matter for those Brokers how they allocate Shares among their retail clients, and they (and not the Company or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them, receive the relevant Shares.

7.3.7 Announcement of final allocation policy in the Broker Firm Offer

The Company expects to announce the final allocation policy under the Broker Firm Offer on or about 26 June 2014. It is expected that this information will be advertised in The Sydney Morning Herald, The Melbourne Age, The Australian and The Australian Financial Review on that same day. Applicants in the Broker Firm Offer will be able to call the Monash Group Offer Information Line on 1800 063 366 from 8.30am to 5.30pm (Sydney time), Monday to Friday (Business Days only) to confirm their allocation. Applicants under the Broker Firm Offer will also be able to confirm their allocation through the Broker from whom they received their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Monash Group Offer Information Line or confirmed your allocation through a Broker.

7.4 Priority Offer

7.4.1 Who can apply?

The Priority Offer is open to investors who have received an invitation to participate in the Priority Offer from the Company and who have a registered address in Australia, and includes Australian resident employees and contractors of Monash Group identified by the Company. If you have been invited by the Company to participate in the Priority Offer, you will be treated as an applicant under the Priority Offer in respect of those Shares that are allocated to you.

7.4.2 How to apply

If you have received an invitation to participate in the Priority Offer from the Company, please visit www.monashivfgroup.com.au or contact the Monash Group Offer Information Line on 1800 063 366 from 8.30am to 5.30pm (Sydney time), Monday to Friday (Business Days only) for information on how to apply. If you have received an invitation to participate in the Priority Offer from the Company, you may apply for Shares by applying online at www.monashivfgroup.com.au and by paying application monies via BPAY (no physical Application Form is needed when paying in this manner). There are instructions set out on the online Priority Offer Application Form to help you complete it.

By making an application, you declare that you were invited to participate in the Priority Offer and were given access to this Prospectus (and any supplementary or replacement prospectus), together with an online Priority Offer Application Form.

Each applicant under the Priority Offer will receive a guaranteed minimum allocation of \$2,000 worth of Shares, or such other larger amount determined by the Company and the Joint Lead Managers. The minimum application size is \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter. There is no maximum value of Shares which may be applied for under the Priority Offer.

The Company may amend or waive the Priority Offer application procedures or requirements, in its discretion in compliance with applicable laws.

The Priority Offer opens at 9.00am (Sydney time) on 20 June 2014 and is expected to close at 5.00pm (Sydney time) on 23 June 2014. The Company and the Joint Lead Managers may elect to extend the Offer or any part of it, or accept late applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice (subject to the ASX Listing Rules and the Corporations Act). Applicants are therefore encouraged to submit their applications as early as possible.

7. Details of the Offer

7.4.3 How to pay

Applicants under the Priority Offer must pay their application monies by BPAY in accordance with the instructions on the online Priority Offer Application Form.

When completing your BPAY payment, please make sure to use the specific biller code and unique Customer Reference Number ('CRN') provided to you or generated by the online Priority Offer Application Form. Application monies paid via BPAY must be received by the Share Registry by no later than 5.00pm (Sydney time) on 23 June 2014 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither the Company nor the Joint Lead Managers take any responsibility for any failure to receive application monies or payment by BPAY before the Priority Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

For more details, prospective applicants should refer to www.monashivfgroup.com.au or contact the Monash Group Offer Information Line on 1800 063 366 from 8.30am to 5.30pm (Sydney time), Monday to Friday (Business Days only).

7.4.4 Application monies

The Company reserves the right to decline any application in whole or in part, without giving any reason, subject to the terms of the guaranteed minimum allocation described above. Applicants under the Priority Offer whose applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for (subject to the guaranteed minimum allocation) will receive a refund of all or part of their application monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose applications are accepted in full will receive the whole number of Shares calculated by dividing the application amount by the Offer Price. Where the Offer Price does not divide evenly into the application amount, the number of Shares to be allocated will be determined by the Company and the Joint Lead Managers.

If the amount of your BPAY payment for application monies (or the amount for which those BPAY payments clear in time for allocation) is insufficient to pay for the number of Shares you have applied for, you may be taken to have applied for such lower number of Shares as your cleared application monies will pay for, or your Application may be rejected.

7.4.5 Acceptance of applications

An application in the Priority Offer is an offer by an applicant to the Company to subscribe for Shares in the amount specified on the Priority Offer Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Priority Offer Application Form (including the conditions regarding quotation on ASX in Section 7.11). To the extent permitted by law, an application is irrevocable.

An Application may be accepted by the Company and the Joint Lead Managers in respect of the full number of Shares specified on the Priority Offer Application Form or any of them, without further notice to the applicant. Acceptance of an application will give rise to a binding contract.

7.4.6 Priority Offer allocation policy

The Company will consult with the Joint Lead Managers regarding the allocation of Shares within the Priority Offer. The Company, in consultation with the Joint Lead Managers, will determine the allocation of Shares to applicants under the Priority Offer and may reject an application, or allocate fewer Shares than applied for, subject to the terms of the guaranteed minimum allocation described in Section 7.4.2 above.

7.5 Institutional Offer

7.5.1 Invitations to bid

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Joint Lead Managers have separately advised Institutional Investors of the application procedures for the Institutional Offer. Offers and acceptances in the Institutional Offer are made with disclosure and under this Prospectus and are at the Offer Price.

7.5.2 Institutional Offer allocation policy

The allocation of Shares among applicants in the Institutional Offer was determined by the Joint Lead Managers and the Company. The Joint Lead Managers and the Company have absolute discretion regarding the basis of allocation of Shares among other Institutional Investors and there is no assurance that any such Institutional Investor will be allocated any Shares, or the number of Shares for which it has bid.

7. Details of the Offer

The allocation policy under the Institutional Offer was influenced by a number of factors including:

- + number of Shares bid for by particular bidders;
- + the timeliness of the bid by particular bidders;
- + Monash IVF Group Limited's desire for an informed and active trading market following listing on ASX;
- + Monash IVF Group Limited's desire to establish a wide spread of institutional shareholders;
- + overall level of demand from Brokers under the Broker Firm Offer, and Institutional Offer;
- + the size and type of funds under management of particular bidders;
- + the likelihood that particular bidders will be long-term shareholders; and
- + other factors that Monash IVF Group Limited and the Joint Lead Managers considered appropriate.

7.6 Underwriting arrangements

The Offer is fully underwritten. The Joint Lead Managers and Monash IVF Group Limited have entered into an Underwriting Agreement under which the Joint Lead Managers have been appointed as managers and underwriters of the Offer. The Joint Lead Managers agree, subject to certain conditions and termination events, to underwrite severally applications for all Shares under the Offer in equal proportions. The Underwriting Agreement sets out a number of circumstances under which the Joint Lead Managers may terminate the Underwriting Agreement and their underwriting obligations.

A summary of certain terms of the agreement and underwriting arrangements, including the termination provisions, is provided in Section 9.2.

7.7 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed by you in the United States, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold, directly or indirectly, in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable laws.

Each applicant in the Broker Firm Offer and Priority Offer, and each person to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- + it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities law of any state of the United States and may not be offered or sold, directly or indirectly, in the United States;
- + it is not in the United States;
- + it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- + it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Any offer, sale or resale of the Shares in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if made prior to 40 days after the date on which the Offer Price is determined and the Shares are allocated under the Offer or if such Shares were purchased by a dealer under the Offer.

7.8 Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue or transfer of Shares to successful applicants or bidders in the Broker Firm Offer, Priority Offer and Institutional Offer. If the Offer, or any part of it, does not proceed, all relevant application monies will be refunded (without interest).

7. Details of the Offer

The Company and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late applications or bids either generally or in particular cases, reject any application or bid, or allocate to any applicant or bidder fewer Shares than applied or bid for.

7.9 ASIC relief

The Company has applied for a modification from ASIC to permit awards described in Section 6.4.2 to be offered without it having to hold an Australian financial services licence or prepare a prospectus or other disclosure document.

The Company has also applied for relief from ASIC to the extent necessary to permit the Shares to be issued to the Existing Owners and to any Institutional Investors acquiring Shares otherwise than under this Prospectus, to be able to be sold on ASX within 12 months of their issue without the requirement for a future disclosure document being prepared in connection with that sale.

7.10 ASX waiver

ASX has granted the Company a waiver from ASX Listing Rule 10.14 to allow 800,000 options to be granted to Mr James Thiedeman (CEO and Managing Director) pursuant to the Long Term Incentive Plan on or shortly following Completion without the need for shareholder approval. The waiver is conditional on:

- + this Prospectus containing the information required by ASX Listing Rule 10.15;
- + the options being issued to James no later than 12 months from the date of the Company's admission to the official list of ASX; and
- + details of any options granted to Mr Thiedeman under the Long Term Incentive Plan being published in each annual report of the Company relating to the period in which the options have been granted.

Future grants of options under the Long Term Incentive Plan to executive Directors may require shareholder approval.

7.11 ASX listing, registers and holding statement, deferred settlement trading

Application to ASX for listing and quotation of Shares

Monash IVF Group Limited has applied for admission to the official list of ASX and quotation of the Shares on ASX. Monash IVF Group Limited's expected ASX code will be MVF.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit Monash IVF Group Limited to the official list is not to be taken as an indication of the merits of Monash Group or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on ASX within three months after the date of the Original Prospectus (or any later date permitted by law), all application monies received by Monash IVF Group Limited will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

CHES and issuer sponsored holdings

Monash IVF Group Limited will apply to participate in ASX's Clearing House Electronic Sub-register System ('CHES') and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHES is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHES sub-register or an issuer sponsored sub-register. For all successful applicants, the Shares of a Shareholder who is a participant in CHES or a Shareholder sponsored by a participant in CHES will be registered on the CHES sub-register.

All other Shares will be registered on the issuer sponsored sub-register.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number for CHES holders or, where applicable, the Securityholder Reference Number of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued. Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at

7. Details of the Offer

any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

Deferred settlement trading and selling Shares on market

It is expected that trading of the Shares on ASX (on a deferred basis) will commence on or about 26 June 2014.

It is the responsibility of each person who trades in Shares to confirm their own holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. Monash IVF Group Limited, the Share Registry, the Joint Lead Managers and the Existing Owners disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding statement from the Monash Group Offer Information Line or confirmed your firm allocation through a Broker.

Shares are expected to commence trading on ASX on a normal settlement basis on or about 30 June 2014.

7.12 Description of Shares

Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the official list of ASX.

Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid Share held.

Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

Dividends

The Board may from time to time resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment. For further information in respect of the Company's proposed dividend policy, see Section 4.9.

Transfer of Shares

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by a written instrument of transfer which complies with the Constitution or by any other method permitted by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules. The Board may refuse to register a transfer of Shares where permitted to do so under the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules. The Board must refuse to register a transfer of Shares when required to by the Corporations Act, the ASX Listing Rules or ASX Settlement Operating Rules.

Issue of further shares

Subject to the Corporations Act, the ASX Listing Rules and ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Company may issue, or grant options in respect of, or otherwise dispose of further shares on such terms and conditions as the Directors resolve.

Winding up

If the Company is wound up, then subject to the Constitution and any special resolution or preferential rights or restrictions attached to a class of shares, any surplus must be divided among the Company's members in the proportions which the amount paid and payable (including amounts credited) on the shares of a member is of the total amount paid and payable (including amounts credited) on the shares of all members of the Company.

7. Details of the Offer

Unmarketable parcels

Subject to the Corporations Act, the ASX Listing Rules and ASX Settlement Operating Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

Share buybacks

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Company may buy back shares in itself on terms and at times determined by the Board.

Proportional takeover provisions

The Constitution contains provisions for Shareholder approval to be required in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by special resolution of the Shareholders in general meeting by the third anniversary of the date of the Constitution's adoption.

Variation of class rights

At present, the Company's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:

- + with the consent in writing of the holders of three-quarters of the issued shares included in that class; or
- + by a special resolution passed at a separate meeting of the holders of those shares.

In either case, in accordance with the Corporations Act, the holders of not less than 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

Dividend reinvestment plan

The Constitution authorises the Directors, on any terms and at their discretion, to establish a dividend reinvestment plan (under which any Shareholder may elect that the dividends payable by the Company be reinvested by a subscription for securities).

Directors – appointment and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three and not more than 10 or any lesser number determined by the Board from time to time. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that any Director who has held office for three or more years or three or more annual general meetings (excluding any Managing Director) retires at each annual general meeting of the Company. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote.

Directors – remuneration

The Directors (other than executive Directors) will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by the Company in general meeting. The current maximum aggregate sum per annum is \$750,000 with the initial remuneration of the Directors set out in Section 6.3.1.4. Any change to that maximum aggregate sum needs to be approved by Shareholders. The Constitution also makes provision for the Company to pay all reasonable expenses of Directors in attending meetings and carrying on their duties.

Indemnities

The Company, to the extent permitted by law, indemnifies each Director against any liability incurred by that person as an officer of the Company or its subsidiaries, and reasonable legal costs incurred by that person in defending an action for a liability of that person. The Company, to the extent permitted by law, may make a payment (whether by way of an advance, loan or otherwise) to a Director in respect of legal costs incurred by that person in defending an action for a liability of that person.

7. Details of the Offer

The Company, to the extent permitted by law, may pay, or agree to pay, a premium for a contract insuring any Director against any liability incurred by that person as an officer of the Company or its subsidiaries and legal costs incurred by that person in defending an action for a liability of that person.

The Company, to the extent permitted by law, may enter into an agreement or deed with a Director or a person who is, or has been, an officer of the Company or its subsidiaries, under which the Company must do all of the following:

- + keep books of the Company and allow either or both that person and that person's advisers access to those books on the terms agreed;
- + indemnify that person against any liability incurred by that person as an officer of the Company or its subsidiaries and legal costs incurred by that person in defending an action for a liability of that person;
- + make a payment (whether by way of advance, loan or otherwise) to that person in respect of legal costs incurred by that person in defending an action for a liability of that person; and
- + keep that person insured in respect of any act or omission by that person while a Director or an officer of the Company or its subsidiaries, on the terms agreed (including as to payment of all or part of the premium for the contract for insurance).

Amendment

The Constitution may be amended only by special resolution passed by at least three-quarters of the Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

The Company must give at least 28 days written notice of a general meeting of the Company.

7.13 Ownership restrictions

The sale and purchase of Shares in the Company is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section contains a general description of these laws.

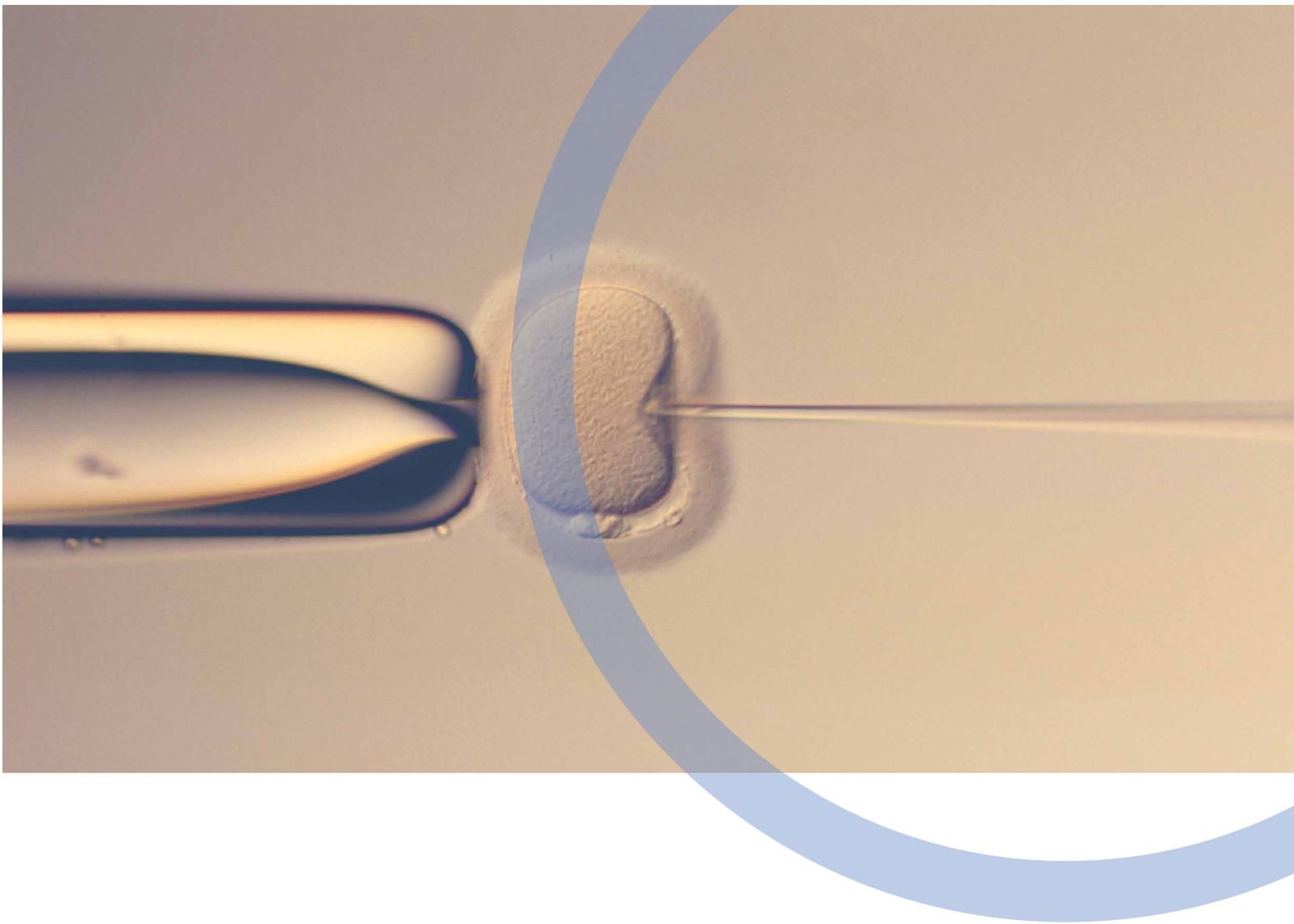
7.13.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company.

7.13.2 Foreign Acquisition and Takeovers Act

Generally, the Foreign Acquisitions and Takeovers Act applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Federal Government's Foreign Investment Policy or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.



8. Investigating Accountant's report

8. Investigating Accountant's report



Ernst & Young Transaction Advisory
Services Limited
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

13 June 2014

The Directors
Monash IVF Group Limited
Level 17, 1 Bligh Street
Sydney NSW 2000

The Directors
Healthbridge Enterprises Pty Limited
Level 17, 1 Bligh Street
Sydney NSW 2000

Dear Directors

PART 1 - INDEPENDENT LIMITED ASSURANCE REPORT ON STATUTORY HISTORICAL FINANCIAL INFORMATION, PRO FORMA HISTORICAL FINANCIAL INFORMATION, STATUTORY FORECAST FINANCIAL INFORMATION AND PRO FORMA FORECAST FINANCIAL INFORMATION

1. Introduction

We have been engaged by Monash IVF Group Limited and Healthbridge Enterprises Pty Limited (“HEPL”) to report on the statutory historical financial information, pro forma historical financial information, statutory forecast financial information and pro forma forecast financial information of Monash IVF Group Limited (“Monash Group”) for inclusion in the Prospectus to be dated on or about 13 June 2014 in respect of the Initial Public Offering of shares in Monash Group and a listing on the ASX (the “Offer”). HEPL is the current parent company of the Monash Group businesses. Prior to Completion, Monash Group will become the parent company of the Monash Group businesses through a restructure.

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Ernst & Young Transaction Advisory Services Limited (“Ernst & Young Transaction Advisory Services”) holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Bryan Zekulich is a Director and Representative of Ernst & Young Transaction Advisory Services. We have included our Financial Services Guide as Part 2 of this report.

2. Scope

Statutory Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following historical financial information of Monash Group included in the Prospectus:

- ▶ the summary statutory consolidated historical income statements for FY2011, FY2012, FY2013, 1H FY2013 and 1H FY2014 as presented in Section 4.3.4 of the Prospectus;
- ▶ the statutory consolidated historical cash flow statements for FY2011, FY2012, FY2013, 1H FY2013 and 1H FY2014 as presented in Section 4.5.3 of the Prospectus; and
- ▶ the statutory consolidated historical balance sheet as at 31 December 2013 as presented in Section 4.4.1 of the Prospectus.

(Hereafter the “Statutory Historical Financial Information”)

8. Investigating Accountant's report



The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation as set out in Section 4.2 of the Prospectus being in accordance with the recognition and measurement principles of Australian Accounting Standards, which are consistent with IFRS and interpretations issued by the IASB and Monash Group's adopted accounting policies.

The Statutory Historical Financial Information for FY2011, FY2012 and FY2013 has been derived from the consolidated financial reports of HEPL which were audited by KPMG in accordance with Australian Auditing Standards. KPMG issued unmodified audit opinions on the annual financial reports.

The Statutory Historical Financial Information for 1H FY2013 and 1H FY2014 has been derived from the 1H FY2014 financial report of HEPL, which includes comparative financial information for 1H FY2013. The 1H FY2014 financial report of HEPL was reviewed by KPMG in accordance with Australian Auditing Standards. KPMG issued an unmodified limited assurance conclusion on the half year financial report.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma historical financial information included in the Prospectus:

- ▶ the summary pro forma consolidated historical income statements for FY2011, FY2012, FY2013, 1H FY2013 and 1H FY2014 as presented in Section 4.3.1 of the Prospectus;
- ▶ the pro forma consolidated historical cash flow statements for FY2011, FY2012, FY2013, 1H FY2013 and 1H FY2014 as presented in Section 4.5.1 of the Prospectus; and
- ▶ the pro forma consolidated historical balance sheet as at 31 December 2013 as presented in Section 4.4.1 of the Prospectus.

(Hereafter the "Pro Forma Historical Financial Information")

The Pro Forma Historical Financial Information has been derived from the statutory historical financial information of HEPL as described above, after adjusting for the effects of pro forma adjustments described in Sections 4.3.3, 4.4.1 and 4.5.2 of the Prospectus. The stated basis of preparation is in a manner consistent with recognition and measurement principles contained in Australian Accounting Standards adjusted for the pro forma adjustments set out in Sections 4.3.3, 4.4.1 and 4.5.2 of the Prospectus, as if those events or transactions had occurred from 1 July 2010 and as if Completion had occurred on 31 December 2013. Due to its nature, the Pro Forma Historical Financial Information does not represent Monash Group's actual or prospective financial position, financial performance, and/or cash flows.

Statutory Forecast Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following statutory forecast financial information included in the Prospectus:

- ▶ the statutory consolidated forecast income statements for FY2014 and FY2015 as presented in Section 4.3.1 of the Prospectus; and
- ▶ the statutory consolidated forecast cash flow statements for FY2014 and FY2015 as presented in Section 4.5.1 of the Prospectus.

(Hereafter the "Statutory Forecast Financial Information")

8. Investigating Accountant's report



The directors' best-estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 4.7.1 and 4.7.2 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is set out in Section 4.2 of the Prospectus being in accordance with the recognition and measurement principles of Australian Accounting Standards, which are consistent with IFRS and interpretations issued by the IASB and Monash Group's adopted accounting policies.

Pro forma Forecast Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma forecast financial information included in the Prospectus:

- ▶ the pro forma consolidated forecast income statement for FY2014 as presented in Section 4.3.1 of the Prospectus; and
- ▶ the pro forma consolidated forecast cash flow statement for FY2014 as presented in Section 4.5.1 of the Prospectus.

(Hereafter the "Pro forma Forecast Financial Information")

The Statutory Historical Financial Information, the Pro Forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro forma Forecast Financial Information are together referred to as the "Financial Information".

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in Section 4.3.3 and 4.5.2. The stated basis of preparation is in a manner consistent with recognition and measurement principals contained in Australian Accounting Standards adjusted for the pro forma adjustments set out in Section 4.3.3 and 4.5.2 of the Prospectus, as if those events or transactions had occurred from 1 July 2010 and as if Completion had occurred on 31 December 2013. Due to its nature, the Pro Forma Forecast Financial Information does not represent the company's actual prospective financial performance and cash flows for FY2014.

3. Directors' Responsibility

Statutory Historical Financial Information and Pro Forma Historical Financial Information

The directors of Monash Group are responsible for the preparation and presentation of the Statutory Historical Financial Information and the Pro Forma Historical Financial Information, including the basis of preparation and the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of the Statutory Historical Financial Information and the Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

The directors of Monash Group are responsible for the preparation and presentation of the Statutory Forecast Financial Information for FY2014 and FY2015, including the best-estimate assumptions underlying the Statutory Forecast Financial Information. They are also responsible for the preparation and presentation of the Pro Forma Forecast Financial Information for FY2014, including the basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information that is free from material misstatement, whether due to fraud or error.

8. Investigating Accountant's report



4. Our Responsibility

Statutory Historical Financial Information and Pro Forma Historical Financial Information

Our responsibility is to express limited assurance conclusions on the Statutory Historical Financial Information and the Pro Forma Historical Financial Information based on the procedures we have performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

Our responsibility is to express limited assurance conclusions on the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information, the best-estimate assumptions underlying the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information, and the reasonableness of the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information themselves, based on our limited assurance engagement. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance report on any financial information used as a source of the Financial Information.

5. Conclusions

Statutory Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information comprising:

- ▶ the summary statutory consolidated historical income statements for FY2011, FY2012, FY2013, 1H FY2013 and 1H FY2014 as presented in Section 4.3.4 of the Prospectus;
- ▶ the statutory consolidated historical cash flow statements for FY2011, FY2012, FY2013, 1H FY2013 and 1H FY2014 as presented in Section 4.5.3 of the Prospectus; and
- ▶ the statutory consolidated historical balance sheet as at 31 December 2013 as presented in Section 4.4.1 of the Prospectus

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.2 of the Prospectus.

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information comprising:

8. Investigating Accountant's report



- ▶ the summary pro forma consolidated historical income statements for FY2011, FY2012, FY2013, 1H FY2013 and 1H FY2014 as presented in Section 4.3.1 of the Prospectus;
- ▶ the pro forma consolidated historical cash flow statements for FY2011, FY2012, FY2013, 1H FY2013 and 1H FY2014 as presented in Section 4.5.1 of the Prospectus; and
- ▶ the pro forma consolidated historical balance sheet as at 31 December 2013 as presented in Section 4.4.1 of the Prospectus

is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 4.2.2 of the Prospectus.

Statutory Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- ▶ the directors' best-estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information; and
- ▶ in all material respects, the Statutory Forecast Financial Information:
 - is not prepared on the basis of the directors' best estimate assumptions as described in Section 4.7.1 and 4.7.2 of the Prospectus; and
 - is not presented fairly in accordance with the stated basis of preparation as described in Section 4.2.3 of the Prospectus; and
- ▶ the Statutory Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- ▶ the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information do not provide reasonable grounds for the Pro Forma Forecast Financial Information; and
- ▶ in all material respects, the Pro Forma Forecast Financial Information:
 - is not prepared on the basis of the directors' best estimate assumptions as described in Section 4.7.1 and 4.7.2 of the Prospectus; and
 - is not presented fairly in accordance with the stated basis of preparation, as described in Section 4.2.3 of the Prospectus, adjusted for the pro forma adjustments set out in Sections 4.3.3 and 4.5.2 of the Prospectus, as if those events or transactions had occurred from 1 July 2010 and as if Completion had occurred on 31 December 2013; and
- ▶ the Pro Forma Forecast Financial Information itself is unreasonable.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of Monash Group for FY2014 and FY2015. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Statutory Forecast Financial information and the Pro Forma Forecast Financial Information is based relate to future events and transactions that management expect to occur and actions that management expect to take

8. Investigating Accountant's report



and are also subject to uncertainties and contingencies, which are often outside the control of Monash Group. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusions expressed in this report have been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Monash Group, which are detailed in the Prospectus and the inherent uncertainty relating to the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Section 5 and Section 4.8 of the Prospectus. The sensitivity analysis described in Section 4.8 of the Prospectus demonstrates the impact on the FY2015 Statutory Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the forecast or pro forma forecast will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of Monash Group, that all material information concerning the prospects and proposed operations of Monash Group has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

6. Restriction on Use

Without modifying our conclusions, we draw attention to Section 4.2 of the Prospectus, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Transaction Advisory Services has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services does not have any interests in the outcome of the Offer other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

Bryan Zekulich
Director and Representative

8. Investigating Accountant's report



Ernst & Young Transaction Advisory
Services Limited
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT ASSURANCE REPORT

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited (“Ernst & Young Transaction Advisory Services” or “we,” or “us” or “our”) has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report (“Report”) in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide (“FSG”) provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$100,000 (inclusive of GST).

8. Investigating Accountant's report



Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

<p>Contacting Ernst & Young Transaction Advisory Services</p> <p>AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000</p> <p>Telephone: (02) 9248 5555</p>	<p>Contacting the Independent Dispute Resolution Scheme:</p> <p>Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08</p>
---	---

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.



9. Additional information

9. Additional information

9.1 Sale Deeds

Under the Sale Deeds, each of the Existing Owners has agreed to sell all of its Existing Securities in HEPL (the company that owns Monash Group as at the Prospectus Date) to Monash IVF Group Acquisition Pty Limited ACN 169 305 220 (a wholly owned subsidiary of Monash IVF Group Limited) free from encumbrances and third party rights for an aggregate fixed amount of \$345.8 million. This amount will be paid partly in cash (\$234.2 million) and partly by way of the issue of Shares (\$111.6 million, representing 60.3 million Shares at the Offer Price). Completion of the sale of the Existing Securities under the Sale Deeds and Completion (including the issue of Shares to Shareholders) are inter-conditional.

This aggregate amount of \$345.8 million is calculated as follows (which amounts have been fixed in advance by the parties):

- + \$522.5 million, to represent the Enterprise Value of Monash Group on Completion;
- + less \$166.7 million, to represent repayment of existing bank debt and associated hedges;
- + less \$20.0 million, to represent agreed costs and fees associated with the Offer;
- + plus \$8.8 million, to represent cash held immediately prior to Completion following payment of the Pre-IPO Dividend; and
- + plus \$1.1 million, to represent repayment of HEPL shareholder loans.

The Existing Owners were entitled to receive the consideration for their Existing Securities in HEPL in the form of cash, or a combination of cash and Shares. Existing Owners have elected to receive \$234.2 million of consideration in the form of cash and \$111.6 million by way of the issue of Shares. The Existing Owners' consideration for their Existing Securities in HEPL, together with the Pre-IPO Dividend (\$25.2 million), equates to the value of the Pre-Completion Interest. The Pre-Completion Interest for the different groups of Existing Owners is set out in Section 7.1.4.

Monash IVF Group Acquisition Pty Limited, the wholly owned subsidiary of the Company which will acquire the Existing Securities on Completion, has no material assets, liabilities or operations other than its interest in the Sale Deeds described above. The director of Monash IVF Group Acquisition Pty Limited is Mr James Thiedeman. Monash IVF Group Acquisition Pty Limited will apply funds provided to it by the Company on Completion to the extent required to fulfil its payment obligations to Existing Owners under the Sale Deeds.

9.2 Underwriting Agreement

The Offer is being underwritten by the Joint Lead Managers pursuant to an underwriting agreement, dated 5 June 2014, between the Joint Lead Managers and the Company ('Underwriting Agreement'). Under the Underwriting Agreement, the Joint lead Managers have agreed to arrange, manage and underwrite the Offer.

9.2.1 Commissions, fees and expenses

The Company must pay to the Joint Lead Managers in equal proportions and in accordance with the Underwriting Agreement a base fee equal to 2.50% of the total Offer proceeds. The Company may also elect, at its absolute discretion, to pay the Joint Lead Managers an incentive fee of 0.625% of the total Offer proceeds.

The Company has agreed to reimburse the Joint Lead Managers for reasonable costs and expenses incurred by the Joint Lead Managers in relation to the Offer. The Company has authorised the Joint Lead Managers to pay any fees or expenses of Co-Managers or Brokers out of fees payable to them (and such fees will not be borne by the Company).

9.2.2 Termination events

A Joint Lead Manager may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement and on or before 10.00am on the date for settlement under the Offer by notice to the other party if any of the following events occur:

- (a) a statement in any of the offer documents or public information is or becomes misleading or deceptive, or a matter required to be included is omitted from the offer documents or public information having regard to the provisions of Part 6D.2, that in either case is materially adverse from the point of view of an investor;
- (b) there occurs a new circumstance that arises after the Original Prospectus is lodged that would have been required to be included in the Original Prospectus if it had arisen before lodgement that is materially adverse from the point of view of an investor;
- (c) the Company issues or, in the reasonable opinion of the Joint Lead Manager, is required to issue, a supplementary prospectus to comply with section 719(1) of the Corporations Act;
- (d) at any time the S&P/ASX 200 Index falls to a level that is 87.5% or less of the level as at the close of trading on the date of close of the institutional bookbuild and is at or below that level at the close of trading: (i) for 3 consecutive Business Days during any time after the date of this agreement; or (ii) on the Business Day immediately prior to, the date of settlement;
- (e) the Company, or any of its directors or officers (as those terms are defined in the Corporations Act) engage, or have engaged since the date of this agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;

9. Additional information

- (f) approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
- (i) the Company's admission to the official list of ASX on or before the date required in the Underwriting Agreement; or
 - (ii) the quotation of all of the Shares, on ASX or for the Company's Shares, to be traded through CHESSE on or before the date set out in the Underwriting Agreement, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (g) any of the following notifications are made in respect of the Offer: (i) ASIC issues an order (including an interim order) under section 739 of the Corporations Act and any such order, inquiry or hearing is not withdrawn within 2 Business Days or if it is made within 2 Business Days of the date of settlement it has not been withdrawn by the day before the date of settlement; (ii) ASIC holds a hearing under section 739(2) of the Corporations Act; (iii) an application is made by ASIC for an order under Part 9.5 in relation to the Offer or an offer document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an offer document, and any such application, inquiry or hearing is not withdrawn within 3 Business Days or if it is made within 2 Business Days of the date of settlement it has not been withdrawn by the day before the date of settlement; (iv) any person (other than the Joint Lead Managers) who has previously consented to the inclusion of its name in any Offer Document withdraws that consent; or (v) any person (other than the Joint Lead Managers) gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
- (h) the Company does not provide a closing certificate as and when required by the Underwriting Agreement;
- (i) the Company withdraws the Prospectus or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- (j) any member of Monash Group becomes insolvent, or there is an act or omission which is likely to result in a member of Monash Group becoming insolvent;
- (k) an event specified in the timetable set out in the Underwriting Agreement up to and including the date of settlement is delayed by more than 2 Business Days (other than any delay caused solely by the Joint Lead Managers or any delay agreed between the Company and the Joint Lead Managers or a delay as a result of an extension of the exposure period by ASIC);
- (l) the Company is prevented from allotting and issuing Shares within the time required by the timetable set out in the Underwriting Agreement, the offer documents, the ASX Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a governmental authority;
- (m) the Company: (i) alters the issued capital of the Company or a member of Monash Group; or (ii) disposes or attempts to dispose of a substantial part of the business or property of the Company or a member of Monash Group, without the prior written consent of the Joint Lead Managers;
- (n) if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under this agreement or to carry out the transactions contemplated by the offer documents;
- (o) there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Joint Lead Manager to satisfy an obligation under this document, or to market, promote or settle the Offer;
- (p) any of the following occur: (i) a director or proposed director named in the Prospectus of the Company is charged with an indictable offence; or (ii) any director of the Company is disqualified from managing a corporation under Part 2D.6; and
- (q) the Sale Deeds and/or the New Banking Facilities are terminated.

9.2.3 Termination subject to materiality

A Joint Lead Manager may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement and on or before 10:00am on the date for settlement under the Offer by notice to the other party, if any of the following events occur and the Joint Lead Manager has reasonable grounds to believe the event: (i) has or is likely to have a material adverse effect on the success, settlement or marketing of the Offer or on the ability of the Joint Lead Manager to market or promote or settle the Offer; or (ii) will, or is likely to, give rise to a liability of the Joint Lead Manager under, or a contravention by the Joint Lead Manager or its affiliates, or the Joint Lead Manager or its affiliates being involved in a contravention of, any applicable law:

- (a) any escrow deed is withdrawn, varied, terminated, rescinded, altered, amended or breached or there is a failure to comply with any of them;
- (b) any forecast that appears in the Prospectus is or becomes incapable of being met in the projected time (including financial forecasts);

9. Additional information

- (c) a change in senior management or the board of directors of the Company occurs;
- (d) the report of the due diligence committee is or becomes, misleading or deceptive, including by way of omission;
- (e) any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and Monash Group (insofar as the position in relation to an entity in Monash Group affects the overall position of the Company) from those disclosed in the Original Prospectus;
- (f) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, Malaysia, or any State or Territory of Australia a new law (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- (g) a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of the Company is not true or correct;
- (h) the Company defaults on one or more of its obligations under the Underwriting Agreement;
- (i) the Company varies any term of its constitution without the prior written consent of the Joint Lead Managers;
- (j) any of the following occurs: (i) the commencement of legal proceedings against the Company, any other member of Monash Group or against any director of the Company, or any other member of Monash Group in that capacity; or (ii) any governmental agency commences any enquiry against a member of Monash Group or any of their respective directors in their capacity as director, or announces that it intends to take action;
- (k) hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, Canada, Japan, the United Kingdom, the People's Republic of China, Singapore, Malaysia, or any member state of the European Union, or a major terrorist act is perpetrated in any of those countries or any diplomatic, military, commercial or political establishment of any of those countries;
- (l) a statement in any closing certificate is false, misleading, inaccurate or untrue or incorrect;
- (m) any of the following occurs: (i) a general moratorium on commercial banking activities in Australia, the United Kingdom or the United States is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; or (ii) trading in all securities quoted or listed on ASX, New York Stock Exchange or London Stock Exchange is suspended or limited in a material respect for 1 day (or a substantial part of 1 day) on which that exchange is open for trading;
- (n) the Sale Deeds and/or the New Banking Facilities are breached or amended, or become void, voidable or otherwise non-binding.

9.2.4 Indemnity

Subject to certain exclusions relating to, among other things, gross negligence, recklessness, fraud or wilful misconduct by an indemnified party, the Company agrees to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

9.2.5 Conditions, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Joint Lead Managers (as well as common conditions precedent), including the entry into voluntary escrow deeds by certain of the Existing Owners in a form and substance acceptable to the Joint Lead Managers.

The representations and warranties given by the Company include but are not limited to matters such as power and authorisations, compliance with applicable laws and ASX Listing Rules, financial information, information contained in the Prospectus, the conduct of the Offer and the due diligence process, litigation, material contracts, patents and trademarks, IT systems, encumbrances, licences, insurance, dividends and distributions, title to property, internal controls, tax and labour.

The Company provides undertakings under the Underwriting Agreement which include but are not limited to notifications of breach of any obligation, representation or warranty or undertaking or non-satisfaction of any condition given by it under the Underwriting Agreement and that it will not, during the period following the date of the Underwriting Agreement until 120 days after Shares have been issued under the Offer, issue any Shares or securities without the consent of the Joint Lead Managers, subject to certain exceptions. These exceptions include: (i) the issue of Shares under the Offer; (ii) an issue of securities pursuant to an employee, consultant or specialist share, option or incentive plan; (iii) a non-underwritten dividend reinvestment plan or a bonus share plan; (iv) a doctor or scientist recruitment, or permitted acquisitions, consistent with Monash Group's strategy described in this Prospectus.

9. Additional information

9.3 New Banking Facilities

9.3.1 Description of the New Banking Facilities

Monash Group has entered into binding documentation with its existing lenders pursuant to which its existing debt facilities will be amended to provide for a revolving cash advance facility and a revolving working capital facility ('New Banking Facilities'). On Completion, funding provided under the New Banking Facilities (together with other proceeds, including from the issue of Shares to investors under the Offer) will be utilised to repay existing debt facilities and associated hedges as well as certain other obligations of Monash Group as set out in Section 7.1.3.

The New Banking Facilities and associated hedging will have the benefit of the existing security package given by Monash Group to secure the existing facilities (as well as certain additional guarantees and security). This security package consists of the Company and wholly owned subsidiaries in Monash Group which together hold not less than 85% of total Monash Group assets and generate not less than 85% of Monash Group EBITDA guaranteeing the New Banking Facilities and providing first ranking security over all or substantially all of their assets (subject to certain agreed exclusions).

The availability of funding under the New Banking Facilities is conditional on Completion and other conditions precedent which are within the control of Monash Group. Accordingly, on Completion, Monash Group will have debt funding available to assist with the repayment of the existing debt and to provide for anticipated funding needs of Monash Group post Completion.

The New Banking Facilities will comprise:

- + a \$100.0 million three year Revolving Cash Advance Facility ('Facility A').
- + a \$5.0 million three year Revolving Working Capital Facility.

In addition, the New Banking Facilities include an uncommitted cash advance revolving facility of up to \$20 million that may be added to the existing facility documents if agreed by Monash Group and the relevant financiers, with such facility to be used for growth capital expenditure and acquisition purposes.

Table 45 New Banking Facilities

\$ million	Commitment	Pro forma drawn
Facility A	100.0	96.0
Revolving Working Capital Facility	5.0	–
Total New Banking Facilities	105.0	96.0

9.3.2 Facility A

Facility A will be available for repayment of existing financial indebtedness, payment of transaction costs and general corporate purposes (including capital expenditure and acquisitions). The average effective interest rate of Facility A is forecast to be 4.66% over the forecast period. Pro forma consolidated forecast interest expense in relation to Facility A for FY2014 and FY2015 is \$4.5 million, on the assumption that Facility A is drawn to \$96.0 million for all of FY2014 and FY2015.

If Facility A is not fully drawn, Facility A will attract commitment fees equal to 50% of the margin on the committed but undrawn funds under this facility. At Completion, Monash Group intends to draw \$96.0 million of the available Facility A.

9.3.3 Revolving Working Capital Facility

The Revolving Working Capital Facility will be available for general working capital purposes. It will have the same tenor and will attract the same interest rate and commitment fees as Facility A. It is assumed that \$0.9 million of the Revolving Working Capital Facility will be utilised immediately following Completion to provide bank guarantees in relation to leasehold properties occupied by Monash Group. This amount is not reflected in the Pro Forma Historical Balance Sheet set out in Section 4.4, as it is not drawn down in cash.

9.3.4 Financial undertakings

The agreement under which the New Banking Facilities will be made available contains undertakings typical for facilities of this nature. The undertakings include financial undertakings which will be tested at financial year end and financial half-year end based on the preceding 12 months' results. Monash Group expects to remain in compliance with these undertakings.

9. Additional information

Table 46 Summary

	Notes	Pro forma ratio
Net leverage ratio to be not greater than 3.25:1	(1)	2.5:1
Interest cover ratio to be not less than 3.00:1	(2)	8.6:1

Notes:

- (1) Net leverage ratio calculation represents pro forma net indebtedness following Completion divided by pro forma EBITDA for FY2014.
 (2) Interest cover ratio represents pro forma EBITDA divided by pro forma net interest expense for FY2014.

9.3.5 Other financing considerations

The agreement under which the New Banking Facilities are made available contains certain representations, undertakings and events of default which are standard for a facility of this nature. Any breach by Monash Group of the representations or undertakings given or made by it, or the occurrence of an event of default, may lead to the funds borrowed becoming due and the New Banking Facilities being cancelled. In addition, a review event will occur if either:

- + any person (other than Ironbridge Funds) acquires control, whether direct or indirect, of Monash Group after Completion, being the power to cast more than 40% of the maximum number of votes at a general meeting of Monash Group or the ownership of more than 40% of the voting share capital of Monash Group;
- + Monash Group is removed from the official list of ASX, or any class of securities in Monash Group is suspended from trading on ASX for a continuous period of 10 Business Days or longer (for reasons other than there being an imminent announcement of a major acquisition or merger transaction); or
- + in any 12 month period, referring Fertility Specialists terminate their contracts with Monash Group and are not replaced with suitably qualified replacements within 120 days of the end of that 12 month period (a 'Leaving Non Replaced Doctor') and the 'net' loss of revenue attributable to all such Leaving Non Replaced Doctors for that 12 month period constitutes 25% or more of the total revenue of Monash Group for the period.

If a review event occurs, the parties will be required to try to negotiate revised terms for the New Banking Facilities.

If agreement cannot be reached within a certain period, then it may lead to some or all of the funds borrowed becoming due and the New Banking Facilities being cancelled.

The New Banking Facilities also contain a market standard market disruption clause. If, due to a change in market circumstances, the relevant reference rate (BBSY) does not reflect the cost of funds of those lenders representing a certain threshold of commitments under the New Banking Facilities (and who give notice that they wish to claim under the market disruption provisions), then the interest rate payable to those lenders will be the cost of funds as notified by those lenders plus the margin.

9.4 Litigation and claims

As at the Prospectus Date, so far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Monash Group is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Monash Group.

9.5 Consents to be named and disclaimers of responsibility

Each of the parties referred to below (each a Consenting Party), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the lodgement of the Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement which is made in this Prospectus is based, other than as specified below:

- + Macquarie;
- + Morgan Stanley;
- + Clayton Utz;

9. Additional information

- + Ernst & Young;
- + Ernst & Young Transaction Advisory Services Limited;
- + KPMG;
- + Fort Street Advisers;
- + Link Market Services Limited;
- + Macquarie Equities Limited; and
- + Morgan Stanley Wealth Management Australia Pty Ltd.

Ernst & Young Transaction Advisory Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of statements by it, including its Independent Limited Assurance Report in Section 8 and the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to that report and those statements) in this Prospectus.

KPMG has given, and has not withdrawn before lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor, including as auditor of HEPL's FY2011, FY2012 and FY2013 consolidated financial reports, and having reviewed the 1H FY2014 consolidated half-year financial report of HEPL, in the form and context in which it is so named.

9.6 Description of the Syndicate

The Joint Lead Managers to the Offer are Macquarie and Morgan Stanley.

The Co-Managers to the Offer are Macquarie Equities Limited and Morgan Stanley Wealth Management Australia Pty Ltd.

9.7 Taxation considerations

The following tax comments are based on the tax law in Australia in force as at the Prospectus Date. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor or relied upon as tax advice. During the period of ownership of the Shares by investors, the taxation laws of Australia, or their interpretation, may change. The precise implications of ownership or disposal will depend upon each investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax implications for Australian resident individuals, complying superannuation entities, trusts, partnerships and corporate investors. These comments do not apply to non-resident investors, investors that hold Shares on revenue account or as trading stock, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the Income Tax Assessment Act 1997 which have made elections to apply the fair value or reliance on financial reports methodologies.

9.7.1 Dividends paid on Shares

9.7.1.1 Australian resident individuals and complying superannuation entities

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend. Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income, such investors should be entitled to a tax refund.

To the extent that the dividend is unfranked, the investor will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

9.7.2 Corporate investors

Corporate investors are also required to include both the dividend and the associated franking credit in their assessable income. They are then allowed a tax offset up to the amount of the franking credit on the dividend.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credits on the distribution received. This will allow the corporate investor to pass on the benefit of the franking credits to its own investor(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund for a company but can be converted into carry forward tax losses.

9. Additional information

9.7.3 Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

9.7.4 Shares held at risk

The benefit of franking credits can be denied where an investor is not a 'qualified person', in which case the investor will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a 'qualified person', two tests must be satisfied, namely the holding period rule and the related payment rule.

Under the holding period rule, an investor is required to hold Shares 'at risk' for more than 45 days continuously (which is measured as the period commencing the day after the shares were acquired and ending on the 45th day after the Shares become ex-dividend) in order to qualify for franking benefits, including franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the Shares at risk for the continuous 45 day period as above but within the limited period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend. Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

On 14 May 2013, the Commonwealth Government announced changes that will apply to 'dividend washing' arrangements, and the amendments are proposed to be made through the 'holding period rules'. On 24 March 2014, the Commonwealth Government released for public comment draft legislation to amend the Tax Act to prevent 'dividend washing'. The amendments to Section 207 of the *Income Tax Assessment Act 1997* are proposed to apply to distributions made on or after 1 July 2013. Shareholders should consider the impact of this proposed change given their own personal circumstances.

On 30 April 2014 the Australian Taxation Office ('ATO') released Tax Determination TD 2014/10 '*Income tax: can section 177EA of the Income Tax Assessment Act 1936 apply to a 'dividend washing' scheme of the type described in this Taxation Determination*' which states that Part IVA of the *Income Tax Assessment Act 1936* (being the general anti-avoidance rules) will generally apply to 'dividend washing' schemes. Shareholders should consider the impact of this Tax Determination given their own personal circumstances.

9.7.5 Disposal of Shares

Most Australian resident investors will be subject to Australian CGT on the disposal of the Shares. Some investors will hold Shares on revenue account, trading stock or under the Taxation of Financial Arrangements regime. These investors should seek their own professional advice.

An investor will derive a capital gain on the disposal of a particular Share where the capital proceeds received on disposal exceeds the CGT cost base of the Share. The CGT cost base of the Share is broadly the amount paid to acquire the Share plus any transaction/incidental costs (the cost base of the Share may be different if a CGT roll-over applied to the acquisition of the Share).

A CGT discount may be available on the capital gain for individual investors, trustee investors and investors that are complying superannuation entities provided the particular Shares are held for at least 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

The CGT discount for individuals and trusts is 50% and for complying superannuation entities is 33⅓%. In relation to trusts, the rules are complex, but this discount may flow up to beneficiaries of the trust.

An investor will incur a capital loss on the disposal of the particular Shares to the extent that the capital proceeds on disposal are less than the CGT reduced cost base of the Shares.

If an investor derives a net capital gain in a year, this amount is, subject to the comments below, included in the investor's assessable income. If an investor incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject in some cases to the investor satisfying certain rules relating to the recoupment of carried forward losses.

9.7.6 Tax file numbers

An investor is not required to quote their tax file number ('TFN') to the Company. However, if TFN or exemption details are not provided, Australian tax may be required to be deducted by the Company from dividends at the maximum marginal tax rate plus the Medicare levy.

An investor that holds Shares as part of an enterprise may quote its Australian Business Number instead of its TFN.

9. Additional information

9.7.7 Stamp duty

No stamp duty should be payable by investors on the acquisition of Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.7.8 Australian goods and services tax ('GST')

The acquisition, redemption or disposal of the Shares by an Australian resident (that is registered for GST) will be an input taxed financial supply, and therefore is not subject to GST.

No GST should be payable in respect of dividends paid to investors.

An Australian resident investor that is registered for GST may not be entitled to claim full input tax credits in respect of GST on expenses they incur that relate to the acquisition, redemption or disposal of the Shares (e.g. lawyers' and accountants' fees).

Investors should seek their own advice on the impact of GST in their own particular circumstances.

9.8 Privacy

The Company and the Share Registry on its behalf, collect, hold and use your personal information to process your application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Once you have become a Shareholder, the Corporations Act requires information about you (including your name, address and details of the Shares you hold) to be included in the Company's Shareholder register. This information must continue to be included in the Company's Shareholder register even if you cease to be a Shareholder. If you do not provide all the information requested in the Application Form, your Application Form may not be able to be processed.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including the following: the Share Registry for ongoing administration of the Shareholder register; the Joint Lead Managers in order to assess your application; printers and other companies for the purpose of preparation and administration of documents and for handling mail; market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by the Share Registry on behalf of the Company, by contacting the Share Registry. You will generally be provided access to your personal information (subject to some exceptions permitted by law), but you may be required to pay a reasonable charge to the Share Registry for access. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Share Registry if any of the details you have provided change. In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

If you have any concerns or queries about the way your personal information is managed by the Company, please contact the Company by phone on +61 3 9420 8235, by email to hcrawford@monashivf.com or write to the Privacy Officer, Monash IVF Group Limited, Pelaco Building 1, Level 1, 21-31 Goodwood Street, Richmond Vic 3121. Monash IVF Group Limited's privacy policy is available on its website. The privacy policy contains information about how you can gain access to or seek correction of personal information that the Company holds about you. It also contains information about how you may make a privacy complaint and how the Company will deal with it.

9. Additional information

9.9 Contract summaries

Summaries of contracts set out in this Prospectus (including the summary of the Underwriting Agreement set out in Section 9.2, the summary of the New Banking Facilities set out in Section 9.3 and the summary of the Sale Deeds executed to effect settlement of the Offer in Section 9.1), are included for the information of potential investors but do not purport to be complete and are qualified by the text of the contracts themselves.

9.10 Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents, that the assets shown in them are owned by Monash Group or that the babies depicted were born with the assistance of Monash Group Services. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

9.11 Governing law

This Prospectus and the contracts that arise from the acceptance of the applications and bids under this Prospectus are governed by the law applicable in New South Wales, and each applicant and bidder submits to the exclusive jurisdiction of the courts of New South Wales.

9.12 Statement of Directors

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of the Prospectus and issue of the Prospectus and has not withdrawn that consent.



Appendix A: Significant accounting policies

Appendix A:

Significant accounting policies

Significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Information are set out below.

Accounting standards

The Financial Information has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The Financial Information also complies with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

Principles of consolidation

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

Measuring goodwill

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

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

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

Contingent liabilities

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

Non-controlling interests

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

Transaction costs

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

Subsidiaries

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

Transactions eliminated on consolidation

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

Appendix A: Significant accounting policies

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

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

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

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

Basis of measurement

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

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

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

Segment reporting

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

Use of estimates and judgements

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

Impairment of goodwill

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

Appendix A: Significant accounting policies

Foreign currency

Foreign currency transactions

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

Foreign operations

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

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

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

Financial instruments

Non-derivative financial assets

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

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

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

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

Loans and receivables

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

Loans and receivables comprise trade and other receivables.

Appendix A: Significant accounting policies

Cash and cash equivalents

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

Non-derivative financial liabilities

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

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

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

Derivative financial instruments, including hedge accounting

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

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

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

Cash flow hedge

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

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

Other non-trading derivatives

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

Property, plant and equipment

Recognition and measurement

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

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

Appendix A: Significant accounting policies

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

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

Subsequent costs

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

Depreciation

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

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

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

	1H FY2014	FY2013	FY2012
Property, plant and equipment	2-10 years	2-10 years	2-10 years
Software	2-15 years	2-10 years	2-10 years
Buildings	40 years	40 years	40 years

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

Intangible assets

Goodwill

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

Subsequent measurement

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

Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

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

Appendix A: Significant accounting policies

Leased assets

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

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

Inventories

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

Impairment

Financial assets (including receivables)

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

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

Non-financial assets

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

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

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

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

Appendix A: Significant accounting policies

Share capital

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

Employee benefits

Short-term obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

Other long-term obligations

All other employee benefits are measured at their present value of the estimated future cash outflow to be made in respect of services provided by the employees up to the reporting date. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations.

Share based payments

Share-based compensation benefits are provided to employees via the Company's existing equity incentive plans. Information relating to these schemes is set out in Section 6.4.

The fair value of options granted under the plans is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

Fair value is measured at grant date using a Monte-Carlo simulation option pricing model performed by an independent valuer which models the future security price.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

Provisions

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

Revenue

Services

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

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

Goods sold

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

Appendix A: Significant accounting policies

Other revenue

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

Lease payments

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

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

Finance income and expense

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

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

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

Income tax

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

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

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

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

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

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

Tax consolidation

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

Appendix A: Significant accounting policies

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

On 24 October 2013, MIHPL (and its wholly owned subsidiaries), and HRPL (and its wholly owned subsidiaries) joined the HEPL tax consolidated group. The formation of a new tax consolidated group required the 'reset' of the tax bases of certain underlying assets within the new tax consolidated group. These reset tax bases are generally relevant for capital gains tax events arising in relation to those assets (for example, the disposal of goodwill).

Prior to Completion, the Company and its subsidiary, Monash IVF Group Acquisition Pty Ltd, will form a tax consolidated group (the 'Monash IVF Group tax-consolidated group') with the Company as the head entity. On Completion, the HEPL tax-consolidated group will be wholly owned by Monash IVF Group Acquisition Pty Ltd and accordingly, effective as at Completion, the HEPL tax-consolidated group will join and become part of the Monash IVF Group tax-consolidated group.

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

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

The Company recognises deferred tax assets arising from unused tax losses to the extent that it is probable that future taxable profits of the Company will be available against which the assets can be utilised. The Company assesses the recovery of its unused tax losses and tax credits only in the period in which they arise, and before assumption by the head entity, in accordance with AASB 112 applied in the context of the tax-consolidated group. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability are recognised by the head entity only. As a result of the changes in the tax consolidation group in the period, deferred tax assets arising from unused tax losses will only be recognised to the extent that the losses can be transferred into the Monash IVF Group tax-consolidated group and satisfy modified continuity of ownership and same business test recoupment rules. Even where the losses satisfy these rules, the tax losses can only be recouped in accordance with the tax concept of the available fraction.

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

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, will enter into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangement will be based on the existing tax funding arrangement in the HEPL tax consolidated group.

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

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

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

Appendix A: Significant accounting policies

Taxation of financial arrangements

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

A subsidiary of the Company (Monash IVF Holdings Pty Ltd) has elected to apply TOFA to financial arrangements entered into from 1 July 2010 and to financial arrangements in place (pre-existing financial arrangements) at that date. The election was made prior to Monash IVF Holdings Pty Ltd joining the HEPL tax-consolidated group and subsequently the Monash IVF Group tax-consolidated group.

Goods and services tax

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

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

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

Investments accounted for using the equity method

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

Borrowing and preference shares

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

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

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



Appendix B: Glossary

Appendix B: Glossary

Term	Meaning
1H	First half of the relevant financial year
2H	Second half of the relevant financial year
Albury IVF	Yoncat Pty Limited ACN 051 989 881 trading as Reproductive Medicine Albury
Appendix	An appendix to this Prospectus
Application Form	An application form attached to or accompanying this Prospectus (including the Broker Firm Application Form and Priority Offer Application Form and any electronic form provided by an online application facility)
ASIC	Australian Securities and Investments Commission
Assisted Reproductive Services	Services that encompass a range of techniques used to assist patients experiencing infertility to achieve a clinical pregnancy. Common services include IVF Cycles, frozen embryo transfers, cryostorage of frozen embryos and intra-uterine insemination
ASX	Australian Securities Exchange, as operated by ASX Limited ABN 98 008 624 691
ASX Listing Rules	The listing rules of ASX
ASX Settlement	ASX Settlement Pty Limited ABN 49 008 504 532
ASX Settlement Operating Rules	The operating rules of ASX Settlement and, to the extent that they are applicable, the operating rules of each of ASX and ASX Clear Pty Limited ABN 48 001 314 503
ATO	Australian Taxation Office
AUD, A\$ or \$	Australian dollar
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
Average Total Revenue per IVF Cycle	Total revenue of Monash Group divided by the total number of IVF Cycles undertaken by Monash Group over a period of time
Board or Board of Directors	The board of directors of the Company
Broker	Any ASX participating organisation selected by the Joint Lead Managers and the Company to act as a broker to the Offer
Broker Firm Application Form	An application form attached to or accompanying this Prospectus (including any electronic form provided by an online application facility) in respect of the Broker Firm Offer
Broker Firm Offer	The offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received an invitation to participate from their Broker
Business Day	Has the meaning given in the ASX Listing Rules
CAGR	Compound annual growth rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGT	Capital gains tax
CHESS	Clearing House Electronic Sub-register System operated in accordance with the Corporations Act
COGU	Certificate of Obstetrical and Gynaecological Ultrasound

Appendix B: Glossary

Term	Meaning
Co-Managers	Macquarie Equities Limited and Morgan Stanley Wealth Management Australia Pty Limited
Company	Monash IVF Group Limited ABN 90 169 302 309
Completion	Completion in respect of the issue of Shares to Existing Owners under the Sale Deeds, and pursuant to the Offer in accordance with the Underwriting Agreement
Constitution	The constitution of the Company
Corporations Act	Corporations Act 2001 (Cth)
CREI	Certificate in Reproductive Endocrinology and Infertility
Director	Each of the directors of the Company from time to time
Doctors	Doctors, including Fertility Specialists, sonologists and other doctors performing Assisted Reproductive Services who are employed or engaged by Monash Group
EBIT	For a relevant period, operating profit from continuing operations before interest expense and tax in that period
EBITDA	For a relevant period, operating profit from continuing operations before interest expense, tax, depreciation and amortisation in that period
EMSN	The Commonwealth Government's Extended Medicare Safety Net, described in Section 2.9.1
Enterprise Value	Enterprise Value is equal to the sum of the market capitalisation of the Company (calculated as the Offer Price times the number of Shares at Completion) and the expected net debt at Completion
EPSG	Compound growth in the Company's earnings per Share
Existing Owners	The owners of the Existing Securities at the Prospectus Date being Ironbridge Funds, Other Existing Owners, Doctors (including for this purpose family companies and certain trustees) and management
Existing Securities	All securities on issue in HEPL immediately prior to Completion including Shares, Preference Shares and Promissory Notes
Expiry Date	Means the date that is 13 months after the date of the Original Prospectus, after which no securities will be issued on the basis of the Prospectus
Exposure Period	The period specified in section 727(3) of the Corporations Act, being seven days from the date of the Original Prospectus, and extended by ASIC by a further seven days, during which an application must not be accepted
Fertility Specialists	The doctors who are contracted or employed by fertility clinics to provide the medical component of Assisted Reproductive Services, including providing medical care to patients during an IVF Cycle and performing surgical procedures
Financial Information	Has the meaning given in Section 4
Forecast Financial Information	Has the meaning given in Section 4
FY	Financial year, ended 30 June of the applicable year
GDP	Gross domestic product
Glossary	This glossary
GST	Goods and services tax
HEPL	Healthbridge Enterprises Pty Limited ABN 27 132 880 392, the current holding company of Monash Group

Appendix B: Glossary

Term	Meaning
Historical Financial Information	Has the meaning given in Section 4
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Institutional Investor	A person to whom offers and issues of Shares may lawfully be made without the need for disclosure under Chapter 6D.2 of the Corporations Act or without any other lodgement, registration or approval with or by a government agency (other than one with which the Company, in its absolute discretion, is willing to comply)
Ironbridge Capital	Ironbridge Capital Management Pty Limited, adviser to the Ironbridge Funds
Ironbridge Funds	Ironbridge Capital II A Pty Limited ACN 120 210 175 as trustee for the Ironbridge Fund II A; Ironbridge Capital II B Pty Limited ACN 120 210 157 as trustee for the Ironbridge Fund II B; Ironbridge Fund II, L.P. acting through its general partner Ironbridge Capital II G.P. Limited; Gattaca Holdings NV; and Gattaca NL Holdings B.V.
Investigating Accountant	Ernst & Young Transaction Advisory Services Limited
IVF	In-vitro fertilisation, which is the process by which an egg is fertilised by a sperm outside the body
IVF Cycle	The process involving retrieving eggs from a woman at the point of maturation and fertilising these in a laboratory to form a cleavage embryo (stored for two to three days) or blastocyst embryo (stored for five to six days) before transferring the embryo into the woman's uterus
Joint Lead Managers	Macquarie and Morgan Stanley
KL Fertility	Kuala Lumpur Fertility and Gynaecology Centre
Long Term Incentive Plan	The Long Term Incentive Plan adopted by the Company summarised in Section 6.4.1
Macquarie	Macquarie Capital (Australia) Limited ABN 79 123 199 548
MBS	The Commonwealth Government's Medicare Benefits Schedule, described in Section 2.9.1
Monash Group	The business described in this Prospectus, or when the context requires, the group of companies holding that business. This includes Monash IVF Group Limited from Completion as illustrated in Section 7.1.4
Monash Group Offer Information Line	Telephone number: 1800 063 366 Hours of operation: 8.30am to 5.30pm (Sydney time), Monday to Friday (Business Days only)
Morgan Stanley	Morgan Stanley Australia Securities Limited ABN 55 078 652 276
MREF	Monash IVF Research and Education Foundation
MUFW	Monash Ultrasound for Women
New Banking Facilities	Binding documentation entered into by Monash Group with its existing lenders pursuant to which its existing debt facilities will be amended to provide for a revolving cash advance facility and a revolving working capital facility
NHMRC	National Health and Medical Research Council
NIPT	Non-invasive pre-natal testing, which includes blood tests that are able to offer pregnant women an early opinion on the risk of carrying a fetus with a common genetic condition including Down Syndrome and Edwards Syndrome
NPAT	Net profit after tax

Appendix B: Glossary

Term	Meaning
Offer	The offer of Shares under this Prospectus
Offer Price	\$1.85 per Share
Official List	The official list of entities that ASX has admitted and not removed
Original Prospectus	The Prospectus dated 5 June 2014 and lodged with ASIC on that date, and which this Prospectus replaces
Other Existing Owners	A.P.U B Co-investment NV; A.P.U Co-Investment Limited Partnership acting through its general partner A.P.U G.P. Limited; A.P.U. NL Co-investment Holdings B.V; Dalyne Pty Ltd ACN 067 554 107 ATF Marlin Trust; Roger Douglas Stables ATF The Cellar Trust and Gorgeous Beginnings Pty Ltd ATF Dunphy Family Trust
Patient Treatments	Comprises IVF Cycles and frozen embryo transfers
PGD	Pre-implantation genetic diagnosis
PGS	Pre-implantation genetic screening
Pre-Completion Interest	The Existing Securities, proceeds to be realised on Completion from an existing equity incentive plan, and the Pre-IPO dividend
Pre-IPO Dividend	A dividend payable by or at the direction of HEPL to Existing Owners in respect of the operations of Monash Group prior to Completion (as referred to in Section 4.4)
Preference Shares and Promissory Notes	Mandatory redeemable preference shares and promissory notes issued by HEPL and held by Existing Owners, all of which will be acquired by the Company, through its wholly owned subsidiary, on Completion
Priority Offer	The offer of Shares under this Prospectus to investors who have received an invitation to participate in the Offer from the Company and who have a registered address in Australia, and including Australian resident employees and contractors of Monash Group identified by the Company
Priority Offer Application Form	An online application form available on www.monashivfgroup.com.au in respect of the Priority Offer or any application form in respect of the Priority Offer attached to or accompanying this Prospectus
Pro forma financial information	Includes the Pro Forma Historical Results, Pro Forma Historical Cash Flows, Pro Forma Historical Balance Sheet, Pro Forma Historical Financial Information, Pro Forma Forecast Results, Pro Forma Forecast Cash Flows and Pro Forma Forecast Financial Information as described in Section 4.1
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document
Prospectus Date	The date on which a copy of this Prospectus was lodged with ASIC, being 13 June 2014
RANZCOG	Royal Australian and New Zealand College of Obstetricians and Gynaecologists
RTAC	The Reproductive Technology Accreditation Committee
Sale Deeds	The deeds between Monash IVF Group Limited, its wholly owned subsidiary Monash IVF Group Acquisition Pty Ltd and the Existing Owners which set out the terms and conditions of the sale of HEPL. Refer to Section 9.1 for further information
Section	A section of this Prospectus
Share	A fully paid ordinary share in the capital of the Company
Share Registry	Link Market Services Ltd ABN 54 083 214 537
Shareholder	The registered holder of a Share

Appendix B: Glossary

Term	Meaning
Statutory financial information	Includes the Statutory Historical Results, Statutory Historical Cash Flows, Statutory Historical Balance Sheet, Statutory Historical Financial Information, Statutory Forecast Results, Statutory Forecast Cash Flows and Statutory Forecast Financial Information as described in Section 4.1
TOFA	Taxation of Financial Arrangements regime under Division 230 of the Income Tax Assessment Act 1997
TSR	Total shareholder return
Underwriting Agreement	The agreement between the Company and the Joint Lead Managers dated 5 June 2014 under which the Joint Lead Managers have agreed to underwrite the Offer. See Section 9.2 for further information
US Securities Act	United States Securities Act of 1933, as amended
USD or US\$	United States dollar

Corporate directory

Company's registered office

Monash IVF Group Limited
Pelaco Building 1, Level 1
21-31 Goodwood Street
Richmond Vic 3121

Monash Group Offer Information Line

Telephone number: 1800 063 366

Hours of operation: 8.30am to 5.30pm
(Sydney time), Monday to Friday
(Business Days only)

Offer website

www.monashivfgroup.com.au

Corporate website

www.monashivfgroup.com.au

Joint Lead Managers

Macquarie Capital (Australia) Limited
Level 9, 1 Martin Place
Sydney NSW 2000

Morgan Stanley Australia Securities Limited
Level 29, Chifley Tower, 2 Chifley Square
Sydney NSW 2000

Co-Managers

Macquarie Equities Limited
1 Shelley Street
Sydney NSW 2000

Morgan Stanley Wealth Management
Australia Pty Limited
120 Collins Street
Melbourne Vic 3000

Financial adviser

Fort Street Advisers
Level 11, 1 O'Connell Street
Sydney NSW 2000

Legal adviser

Clayton Utz
Level 15, 1 Bligh Street
Sydney NSW 2000

Investigating Accountant

Ernst & Young Transaction
Advisory Services Limited
680 George Street
Sydney NSW 2000

Auditor

KPMG
147 Collins Street
Melbourne Vic 3000

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000



MONASH IVF GROUP