APPENDIX 4D
MONASH IVF GROUP LIMITED

ACN: 169 302 309

HALF YEAR REPORT

Reporting period:	For the half year ended	31 December 2014
Previous corresponding period:	For the half year ended	31 December 2013

Results for announcement to the market			2014 $'000	2013 $'000
Revenue from operations	up	**5%**	60,293	57,591
Net Profit / (loss) after tax from continuing operations	up	**45%**	10,981	7,587
Net profit / (loss) after tax attributable to members of the Company	up	**102%**	10,981	5,431
Net tangible assets per security	up	**66%**	($0.38)	($1.13)
			cents	**cents**
Earnings per share attributable to members of the Company (basic shares)	down	**20%**	4.75	5.96

Additional Appendix 4D disclosure can be found in the Directors report and 31 December 2014 Interim Financial Report and the notes to the Interim Financial Report.

Dividends

A fully franked interim dividend of 3.25 cents per share has been declared by the directors on 25 February 2015. The record date for the dividend is 16 March 2015 and payment date is 18 April 2015.

Dividend re-investment plan

There was no dividend re-investment plan available to shareholders during the period.

Operating performance and trends in performance

Refer to the analysis in the Monash IVF Group Limited Directors Report and Interim Financial Report attached.

Gain or loss of control of entities

On 5 December 2014, the Group acquired Fertility Australia Pty Limited (Trustee for the Fertility Australia Trust), and the Fertility Australia Trust, trading as Fertility East. Refer to Note 14 of the attached Interim Financial Report of Monash IVF Group Limited further details.

Status of audit of accounts

The Interim Financial Report is based on accounts which have been reviewed.

Mr Rodney Fox
Company Secretary and Chief Financial Officer
Dated: 25 February 2015

Monash IVF Group Limited

ACN 169 302 309

Interim Financial Report

31 December 2014

Contents

The directors present their report together with the consolidated financial report of Monash IVF Group Ltd ('the Group'), being the Company (Monash IVF Group Ltd), its subsidiaries, and the Group's interest in associated entities as at and for the six months ended 31 December 2014, and the auditor's review report thereon.

1 Directors

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

Director	Appointed
Richard Davis	4 June 2014
Josef Czyzewski	4 June 2014
Christy Boyce	4 June 2014
Neil Broekhuizen	4 June 2014
Dr Richard Henshaw	30 April 2014
Benjamin ('James') Thiedeman	30 April 2014

2 Principal activities

The principal activities of the Group during the course of the six months were the provision of medical services in the area of human reproduction.

3 Operating and financial review

Overview of the Group

	H1 FY2015 $M	H1 FY2014 $M	%
Group revenues	**60.3**	**57.6**	**4.7%**
Operating EBITDA (1)	**20.3**	**21.1**	**-3.8%**
Operating EBITDA %	*33.7%*	*36.6%*	
Start up and acquisition costs	-1.0	0	N/a
Prior period restructuring costs	0	-2.1	N/a
Group Operating EBITDA (1)	**19.3**	**19.0**	**1.6%**
Depreciation & amortisation	-1.6	-1.4	14.3%
Net Finance expenses	-2.4	-13.6	-82.4%
Profit before Tax	**15.3**	**4.0**	**282.5%**
Income tax (expense) / benefit	-4.3	3.6	-219.4%
Net Profit for the period	**11.0**	**7.6**	**44.7%**

(1) These are non-IFRS financial definitions

Group revenue grew by $2.7m (4.7%) as compared to the six month period ended 31 December 2013. The increase was primarily due to higher Patient Treatments from both existing, and newly acquired clinics.

Revenue

	H1 FY2015 vs H1 FY2014 $M	% of H1 FY 2014 revenue
Australia		
Revenue excluding acquisitions		
Market growth	-0.3	-0.6%
Market share	0.8	1.4%
Pricing and Mix	-0.1	-0.1%
Other income	-1.2	-2.1%
Total	**-0.8**	**-1.4%**
Acquisitions	3.0	5.2%
Total Australia	**2.2**	**3.8%**
Total International	**0.5**	**0.9%**
Total Group	**2.7**	**4.7%**

The following details key movements in revenue:

- 0.6% Patient Treatment market contraction in the Group's Key Australian Markets[(1)] as compared to 4.1% historical growth rate. This impacted Assisted Reproductive Services (ARS) revenue by approximately -$0.3m as compared to prior year;
- 3.2% increase in the proportion of Frozen Embryo Transfers (FET) over total Patient Treatments performed as compared to prior year due to factors such as improved pregnancy success rates from "freeze all" cycles and Pre-implantation Genetic Screening/Diagnosis (PGS/PGD) services. This shift toward FETs reduced average revenue per Patient Treatment as compared to the prior corresponding period. This impacted Group revenue by approximately -$0.1m (net of price increases) as compared to prior year.
- Victoria, the Group's largest business unit, achieved Patient Treatment market share growth of 4.2% compared to prior year. Largely offsetting this, the Group lost market share in South Australia. This was due to aggressive competitor pricing, which whilst ceasing in H1 FY2015, impacted South Australian market share. Lead indicators for the South Australia business show that market share is increasing.
- Lower pathology income in South Australia impacted revenue by approximately -$0.6m as compared to prior year. This was due to a ramp-up in AMH competitor activity (non ARS).
- Day surgery income was impacted by -$0.3m directly related to the South Australian ARS market share loss.
- Increased revenue in International segment is due to growth in Patient Treatments.

[(1)] Victoria, South Australia, Queensland, Northern Territory and regional market of Albury (New South Wales).

Revenue (continued)

- Pre-implantation Genetic Screening/Diagnosis (PGS/PGD) grew significantly (29.8%) compared to prior year. However, this revenue growth was partly offset by price decrease for this service.
- 7.6% private scan growth against prior year is associated with the Monash Ultrasound for Women business, whilst non invasive pre-natal testing (NIPT) grew by 115.3% against prior year.
- International operations in Kuala Lumpur performed stronger than expectations with revenue $0.5m higher than prior year due to increased volumes with a marginal impact from exchange rate movements.

Patient Treatments by segment

	H1 FY2015	H1 FY2014	%
Monash Group – Australia			
IVF cycles	4,421	4,371	1.1%
Frozen embryo transfers	2,833	2,415	17.3%
Total	**7,254**	**6,786**	**6.9%**
Monash Group - International			
IVF cycles	295	249	18.5%
Frozen embryo transfers	202	186	8.6%
Total	**497**	**435**	**14.3%**
Total Monash Group			
IVF cycles	4,716	4,620	2.1%
Frozen embryo transfers	3,035	2,601	16.7%
Total Patient Treatments	**7,751**	**7,221**	**7.3%**

Patient Treatments performed in Australia grew by 6.9% to 7,254 whilst International Patient Treatments grew by 14.3% to 497. Acquisitions contributed 5% of total Patient Treatments whilst Low Intervention offerings contributed 1% of total Patient Treatments.

Operating expenditure

The table below provides a summary of operating expenditure during the period compared to prior period:

	H1 FY2015 $M	H1 FY2014 $M	%
Employee benefit expense	16.9	15.0	12.7%
Clinicians fees	9.5	8.8	8.0%
Raw material and consumables used	5.6	6.0	-6.7%
IT and communications expense	1.3	1.2	8.3%
Property expense	3.0	2.6	15.4%
Marketing, advertising and public relations expense	2.0	1.5	33.3%
Professional and other fees	0.8	0.6	33.3%
Other expenses	0.9	0.8	12.5%
Total Operating expenses before restructuring, start up & acquisition costs (1)	**40.0**	**36.5**	**9.6%**
% of Group revenues	*66.3%*	*63.4%*	
Prior period restructuring costs	-	2.1	N/a
Start up & acquisition costs	1.0	-	N/a
Total operating expenses before Depreciation & Amortisation (1)	**41.0**	**38.6**	**6.2%**
Depreciation & Amortisation	1.6	1.4	14.3%
Total operating expenses	**42.6**	**40.0**	**6.5%**
% of Group revenues	*70.6%*	*69.4%*	

(1) These are non-IFRS financial definitions

The key highlights for the period are as follows:

- Employee benefit expense increased by 12.7% against prior year. Employee benefit expense increased by 7.3% from acquisitions, 3.3% from low intervention services, general wage increases of 3.0% with these being partly offset by cost savings.
- Clinician fees reflect movements in revenues and Patient Treatment volumes. As compared to prior period, acquisitions increased clinician fees by 4.5% and additional increases of 3.0% were due to price increases.
- Raw material and consumables reduced by $0.4m compared to prior period partly due to lower donor procedures. This is partly offset by higher non invasive pre-natal testing referral costs due to an increase in volumes of this service.
- Property expenses increased by $0.4m (15.4%) due to acquisitions (11.6%) and the low intervention offerings (7.7%) partly offset by lower outgoings.
- 33.3% increase in Marketing, Advertising and public relations expense attributable to low intervention clinics (13.3%), acquisitions (6.7%), and increased expenditure in Key Australian Markets[1] (13.3%).
- Start-up & acquisition costs relate to BUMP IVF start-up costs ($0.9m) being costs incurred prior to opening the service (no comparable expense in H1 FY 2014) and Fertility East acquisition costs ($0.1m).
- Prior period restructuring costs relate to restructuring activities performed in October 2013 in preparation for the IPO.

[1] Victoria, South Australia, Queensland, Northern Territory and regional market of Albury (New South Wales).

Depreciation and amortisation

Depreciation and amortisation was $0.2m higher than the six months to 31 December 2013. The increase is primarily due to depreciation on capital expenditure for low intervention offerings.

Net interest expense

Net interest expense reduced by $11.2m (82.5%) compared to the six months to 31 December 2013. The reduction is largely due to the change in capital structure whereby certain debt instruments were converted to equity or repaid. In addition, external bank debt was re-negotiated at lower interest rates (4.81% effective rate).

Taxation

The effective tax rate is 28.3% reflecting the 30.0% tax rate in Australia and 25.0% in Malaysia. The prior period effective tax rate was -92.6% and is not comparable due to changes in tax structure between periods.

Capital management

Since 30 June 2014, the Group has reduced its borrowings to $89.0m following a $7.0m voluntary repayment in December 2014, which can be redrawn later if needed.

As at 31 December 2014, the Group has $16.0m of undrawn committed debt facilities available and in addition, a $30.0m uncommitted acquisition and capital expenditure facility.

On 25 February 2015, the Directors declared a fully franked interim dividend of 3.25 cents per share. This represents a 68% dividend pay-out ratio against H1 FY2015 NPAT.

Cash flow statement

	H1 FY2015 $M	H1 FY2014 $M	%
Net operating cash flow	**16.8**	**15.1**	**11.3%**
Purchase of property, plant and equipment(1)	-3.8	-2.2	72.7%
Net interest paid	-3.1	-36.3	-91.5%
Other	0.1	-0.3	133.3%
Free cash flow(2)	**10.0**	**-23.7**	
Payments for issue of share capital(3)	-3.3	0.0	N/a
Available cash (2)	**6.7**	**-23.7**	**128.3%**
Purchase of business(4)	-3.2	-5.3	-39.6%
Net increase / decrease in borrowings (5)	-7.0	23.6	-129.7%
Net cash flow after debt repayment and acquisitions (2)	**-3.5**	**-5.4**	**-35.2%**

1) Property, plant and equipment includes Bump set up costs, new clinic at Wagga Wagga and the rollout of propriety clinical information system

(2) This is a non IFRS financial definition

(3) Payments for issue of share capital relate to IPO costs from June 2014 paid this financial year

(4) Purchase of business refers to Fertility East and deferred consideration on Reproductive Medicine Albury acquisition

(5) H1 FY2015 was voluntary repayment of debt

Outlook

H2 FY2015 is expected to show an improved financial performance compared to H1 FY2015 based on the following:

- Limited market recovery in Patient Treatment numbers in Q4 FY 2015 consistent with a return to the longer term trends for the industry and the 4.2% growth in Group New Patient Registrations against the prior year;
- Improved South Australian performance as local market share rebuilds as indicated by growth in New Patient Registrations. This impact is expected to be stronger in Q4 FY2015;
- Low intervention services gaining momentum following minimal contribution in H1 FY2015;
- Ramp up in volumes from additional Fertility Specialists recruited to the Group in H1 FY2015; and
- Fertility East contribution in H2 FY2015.

Based on the above assumptions, forecast full year FY2015 NPAT is expected to be $23.9m.

4 Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial period.

5 Environmental regulation

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

6 Dividends

No dividends were declared during the six month period to 31 December 2014.

A fully franked interim dividend of 3.25 cents per share was declared on 25 February 2015 with a record date of 16 March 2015 and payment date of 18 April 2015.

7 Events subsequent to reporting date

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

8 Likely developments

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

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

9 Indemnification and insurance of officers and auditors

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

10 Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 10 and forms part of the directors' report for the six months ended 31 December 2014.

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

Richard Davis
Chairman

Dated at Melbourne this 25th day of February 2015

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

To: the directors of Monash IVF Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne
25 February 2015

Monash IVF Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the six months ended 31 December 2014

	Consolidated	
		Restated
	31/12/2014	31/12/2013
	$'000	$'000
Revenue	60,293	57,591
Employee benefits expense	(16,860)	(15,043)
Clinician's fees	(9,500)	(8,782)
Raw materials and consumables used	(5,632)	(5,974)
IT and communications expense	(1,290)	(1,243)
Depreciation expense	(1,341)	(1,128)
Amortisation expense	(291)	(304)
Property expense	(2,980)	(2,565)
Marketing, advertising and public relations expense	(2,043)	(1,522)
Professional and other fees	(759)	(2,672)
Start-up & acquisition costs	(975)	-
Other expenses	(926)	(808)
Operating Profit	**17,696**	**17,550**
Finance income	41	757
Finance expenses	(2,426)	(14,368)
Net finance costs	**(2,385)**	**(13,611)**
Profit before tax	**15,311**	**3,939**
Income tax (expense) / benefit	(4,330)	3,648
Profit for the period	**10,981**	**7,587**
Other comprehensive income / (loss)		
Items that are or may be reclassified subsequently to profit and loss:		
Cash flow hedges	(618)	227
Tax on cash flow hedges	185	(68)
Exchange difference on translation of foreign operations	19	-
Other comprehensive (loss) / income for the period, net of tax	**(414)**	**159**
Total comprehensive income for the period	**10,567**	**7,746**
Profit attributable to:		
Owners of the company	10,981	5,431
Non-controlling interests	-	2,156
Profit for the period	**10,981**	**7,587**
Total comprehensive income attributable to:		
Owners of the company	10,567	5,590
Non-controlling interests	-	2,156
Total comprehensive income for the period	**10,567**	**7,746**
Earnings per share		
Basic earnings per share (cents)	4.75	5.96
Diluted earnings per share (cents)	4.73	5.96

For the half-year ended 31 December 2014, the Group has redefined the categories of expenses disclosed in the above, consistent with how they are reviewed and analysed for internal management purposes, to provide improved transparency. As a result, the classification of certain expenses have been amended. The prior year comparatives have been restated to reflect these changes.

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

Monash IVF Group Limited
Consolidated statement of financial position
As at 31 December 2014

	Consolidated	
	31/12/2014	30/06/2014
	$'000	$'000
Current assets		
Cash and cash equivalents	5,261	8,786
Trade and other receivables	3,150	2,969
Other assets	3,270	2,791
Total current assets	**11,681**	**14,546**
Non current assets		
Trade and other receivables	505	448
Property, plant and equipment	12,081	9,131
Intangible assets	222,600	219,676
Deferred tax assets	1,063	2,557
Total non current assets	**236,249**	**231,812**
Total assets	**247,930**	**246,358**
Current liabilities		
Trade and other payables	12,622	17,714
Borrowings	-	56
Current tax liability	2,444	788
Employee benefits	5,751	5,405
Deferred consideration	900	230
Total current liabilities	**21,717**	**24,193**
Non current liabilities		
Borrowings	88,569	95,486
Employee benefits	1,083	859
Contingent consideration	500	1,000
Other liabilities	674	-
Total non current liabilities	**90,826**	**97,345**
Total liabilities	**112,543**	**121,538**
Net assets	**135,387**	**124,820**
Equity		
Contributed equity	422,566	422,566
Reserves	(137,268)	(136,854)
Retained earnings	(149,911)	(160,892)
Total equity	**135,387**	**124,820**

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

Monash IVF Group Limited
Consolidated statement of changes in equity
For the six months ended 31 December 2014

	Contributed equity $'000	Other equity reserve[1]	Retained earnings $'000	Profits reserve[2] $'000	Translation reserve $'000	Hedging reserve $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
Consolidated Balance at 30 June 2013	49,514	-	(63,096)	-	54	(235)	**(13,763)**	(33,156)	**(46,919)**
Profit or loss for the period	-	-	5,431	-	-	-	**5,431**	-	**5,431**
Total other comprehensive income	-	-	-	-	10	159	**169**	-	**169**
Total comprehensive income/(loss) for the period	**49,514**	**-**	**(57,665)**	**-**	**64**	**(76)**	**(8,163)**	**(33,156)**	**(41,319)**
Transactions with owners in their capacity as owners directly in equity									
Issue of ordinary shares in Healthbridge Enterprises Pty Ltd	111,021	-	-	-	-	-	**111,021**	-	**111,021**
Profit attributable to minority interest	-	-	-	-	-	-	**-**	2,156	**2,156**
Dividends paid	-	-	-	-	-	-	**-**	(342)	**(342)**
Changes on ownership interest in subsidiaries that do not result in a loss of control	-	-	(67,907)	-	-	-	**(67,907)**	31,626	**(36,281)**
Consolidated Balance at 31 December 2013	**160,535**	**-**	**(125,572)**	**-**	**64**	**(76)**	**34,951**	**284**	**35,235**
Consolidated Balance at 30 June 2014	**422,566**	**(136,811)**	**(160,892)**	-	**(4)**	**(39)**	**124,820**	-	**124,820**
Profit or loss for the period	-	-	-	10,981	-	-	**10,981**	-	**10,981**
Total other comprehensive income	-	-	-	-	19	(433)	**(414)**	-	**(414)**
Total comprehensive income/(loss) for the period	**422,566**	**(136,811)**	**(160,892)**	**10,981**	**15**	**(472)**	**135,387**	**-**	**135,387**
Transactions with owners in their capacity as owners directly in equity									
Issue of ordinary shares in Monash IVF Group Ltd	-	-	-	-	-	-	**-**	-	**-**
Share issue costs	-	-	-	-	-	-	**-**	-	**-**
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	**-**	-	**-**
Dividends paid	-	-	-	-	-	-	**-**	-	**-**
Consolidated Balance at 31 December 2014	**422,566**	**(136,811)**	**(160,892)**	**10,981**	**15**	**(472)**	**135,387**	**-**	**135,387**

(1) The Other Equity Reserve represents the difference between the Issued Capital in Healthbridge Enterprises Pty Ltd and the consideration paid to acquire Healthbridge Enterprises Pty Ltd on 26 June 2014.

(2) The profits reserve comprises the transfer of net profit for the period and characterises profits available for distribution as dividends in future periods. No dividends were distributed during the period.

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

Monash IVF Group Limited
Consolidated statement of cash flows
For the six months ended 31 December 2014

	Consolidated	
		Restated
	31/12/14	31/12/2013
	$'000	$'000
Cash flows from operating activities		
Receipts from customers [1]	60,525	58,258
Payments to suppliers and employees [1]	(42,981)	(41,453)
Cash generated from operations	**17,544**	**16,805**
Income tax paid	(772)	(1,728)
Net cash flows from operating activities	**16,772**	**15,077**
Cash flows from investing activities		
Interest received	41	757
Payments for property, plant and equipment	(3,764)	(2,180)
Proceeds from sale of property, plant and equipment	-	6
Acquisition of controlled entities and businesses	(3,230)	(4,010)
Acquisition of minority interests	-	(1,310)
Net cash flows used in investing activities	**(6,953)**	**(6,737)**
Cash flows from financing activities		
Payments for the issue of share capital	(3,320)	-
Receipt of borrowings	-	170,000
Receipt of loans receivable	57	-
Repayment of borrowings	(7,000)	(146,378)
Interest paid	(3,100)	(37,025)
Dividends paid	-	(342)
Net cash flows used in financing activities	**(13,363)**	**(13,745)**
Total cash flows from activities	**(3,544)**	**(5,405)**
Cash and cash equivalents at beginning of period	8,786	40,632
Effects of exchange rate changes on foreign currency cash flows and cash balances	19	-
Cash and cash equivalents at end of period	**5,261**	**35,227**

[1] The comparative cash receipts from customers and cash paid to suppliers and employees have been restated to reflect that the majority of these transactions are GST exempt. The restatement does not impact the comparative net cash flows from operating activities and comparative net movement in cash flows and is not considered to be material. These changes are consistent with those applied within the 30 June 2014 financial statements.

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

1 Reporting entity

Monash IVF Group Limited (the 'Company') is a for profit company primarily involved in the area of assisted reproductive services. The Company is incorporated in Australia and listed on the Australian Stock Exchange. Its registered office is at Level 1, 21-31 Goodwood Street, Richmond, Victoria and it is limited by shares. The condensed consolidated financial statements comprise the Company and its controlled entities (collectively 'the consolidated entity', 'Monash Group' or 'Group').

2 Basis of accounting

The condensed consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 Interim Financial Reporting, and the Corporations Act 2001.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2014. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2014.

The condensed consolidated interim financial statements were approved by the Board of Directors on 25 February 2015.

The comparative information presented in the interim financial report represents the financial position of Healthbridge Enterprises Pty Ltd as at 30 June 2014 and its performance for the period 1 July 2013 to 31 December 2013.

Going concern

As at 31 December 2014, the Group has a net current asset deficiency of $10,036,000.

The directors consider that there are reasonable grounds to believe the Group will be able to pay its debts as and when they fall due as forecast operating cashflows indicate that cash reserves are sufficient to fund operations, the availability of $16m of undrawn and committed external funding facilities, and the likelihood of certain current liabilities such as employee entitlements and deferred income not being crystallised in the short term so as to cause a liquidity risk. Accordingly, the interim financial report has been prepared on a going concern basis.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the consolidated interim financial statements. Amounts in the condensed consolidated interim financial statements have been rounded off in accordance with that Class Order to the nearest thousand, unless specifically stated to be otherwise.

Restatements of comparatives

- Statement of cash flows

The comparative "cash receipts from customers" and "cash paid to suppliers and employees" have been restated to reflect that the majority of these transactions are GST exempt. The restatement does not impact the comparative net cash flows from operating activities and comparative net movement in cash flows and is not considered material. These changes are consistent with those applied within the 30 June 2014 financial statements.

- Statement of profit and loss and other comprehensive income

The Group has redefined the categories of expenses, consistent with how they are reviewed and analysed for internal management purposes, to provide improved transparency. As a result, the classification of certain expenses have been amended. The prior year comparatives have been restated to reflect these changes.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2014.

4 Use of estimates and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2014.

5 Seasonality of operations

The Group’s operating segments are not materially subject to seasonality factors that may result in fluctuations in revenues and profitability between 1 July to 31 December and 1 January to 30 June in each year.

6 Operating segments

Information about reporting segments

31/12/2014	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total reportable segments $'000
Revenue			
External revenue	57,654	2,639	60,293
Intersegment sales	-	-	-
Total Revenue	**57,654**	**2,639**	**60,293**
Other income	-	-	-
Total revenue and other income	**57,654**	**2,639**	**60,293**
Segment EBITDA	**18,194**	**1,134**	**19,328**
Depreciation and amortisation expense	(1,606)	(26)	(1,632)
Interest revenue	41	-	41
Interest expense	(2,344)	-	(2,344)
Amortisation of bank facility fees	(82)	-	(82)
Profit before income tax expense	**14,203**	**1,108**	**15,311**
Income tax expense	(4,047)	(283)	(4,330)
Profit for the period	**10,156**	**825**	**10,981**
31/12/2014			
Segment assets	241,086	6,844	247,930
Segment liabilities	(112,079)	(464)	(112,543)

6 Operating segments (continued)

Information about reporting segments (continued)

31/12/2013	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total reportable segments $'000
Revenue			
External revenue	55,474	2,117	57,591
Intersegment sales	-	-	-
Total Revenue	**55,474**	**2,117**	**57,591**
Other income	-	-	-
Total revenue and other income	**55,474**	**2,117**	**57,591**
Segment EBITDA	**18,009**	**973**	**18,982**
Depreciation and amortisation expense	(1,403)	(29)	(1,432)
Interest revenue	757	-	757
Interest expense	(13,881)	-	(13,881)
Amortisation of bank facility fees	(487)	-	(487)
Profit before income tax expense	**2,995**	**944**	**3,939**
Income tax benefit / (expense)	3,883	(235)	3,648
Profit for the period	**6,878**	**709**	**7,587**
30/06/2014			
Segment assets	240,798	5,560	246,358
Segment liabilities	(121,401)	(137)	(121,538)

7 Tax expense

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2014 was 28% (for the six months ended 31 December 2013 -93%). The 31 December 2014 tax rate is consistent with the tax rates applicable in each jurisdiction the Group operates in.

8 Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2014, the Group acquired assets with a cost of $4.4m (six months ended 31 December 2013: $2.0m). This includes assets acquired through a business combination (see Note 14) of $0.6m (six months ended 31 December 2013: $0.1m).

Capital commitments

As at 31 December 2014, the Group entered into a contract to buy property, plant and equipment for $0.2m (as at 31 December 2013: $0.4m and as at 30 June 2014:$1.2m). Delivery is expected within 1 year.

9 Intangible assets - goodwill

A number of factors were reviewed to assess whether any indicators of impairment were present at 31 December 2014. No indicators of impairment were identified that would require formal testing of impairment as at 31 December 2014.

The following details a reconciliation of carrying amount of goodwill:

	Consolidated	
	31/12/2014	**30/06/2014**
	$'000	**$'000**
Cost		
Balance at beginning of period	199,235	188,166
Acquisition through business combination	3,043	11,069
Balance at end of period	202,278	199,235
Impairment losses		
Balance at beginning of period	(1,549)	(1,549)
Impairment loss	-	-
Balance at end of period	(1,549)	(1,549)
Carrying amounts		
Balance at beginning of period	197,686	186,617
Balance at end of period	200,729	197,686

10 Equity

Movements in ordinary share capital

Date	Details	Number of shares	$M
1 July 2014	Opening balance	231,081,089	422.6
31 December 2014	**Closing balance**	**231,081,089**	**422.6**

11 Earnings per share

Earnings per share	Consolidated 31 Dec 2014 Cents per share	31 Dec 2013 Cents per share
Basic earnings per share	4.75	5.96
Diluted earnings per share	4.73	5.96

Profit attributable to ordinary shareholders	31 Dec 2014 $'000	31 Dec 2013 $'000
Profit after income tax attributable to the ordinary shareholders used in calculating basic and diluted earnings per share	10,981	5,431

Weighted average number of shares (basic)	31 Dec 2014 Number	31 Dec 2013 Number
Issued ordinary shares at 30 June	231,081,089	49,513,671
Effect of shares issued (1)	-	41,544,390
Adjustments for calculation of diluted earnings per share	1,000,000	-
Weighted average number of ordinary shares (diluted) at 31 December	**232,081,089**	**91,058,061**

(1) Effect of shares issued reflect the weighted average number of shares issued in Healthbridge Enterprises Pty Ltd and Monash IVF Group Ltd during the period.

Basic earnings per share

The calculation of basic earnings per share has been based on profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

Diluted earnings per share

The calculation of diluted earnings per share has been based on profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effects of share based options yet to vest.

12 Loans and borrowings

Terms and conditions of outstanding loans and borrowings were as follows:

	Currency	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000
Balance at 1 July 2014	AUD	4.65%	2017	96,000	96,000
Repayments				(7,000)	(7,000)
Balance at 31 December 2014				**89,000**	**89,000**

13 Financial instruments

Credit risk

Exposure to credit risk

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

13 Financial instruments (continued)

Financial instruments carried at fair value

Fair value hierarchy

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

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

Financial assets		**Fair Value**			
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other receivables [(1)]	5,489	-	-	-	-
Cash and cash equivalents [(1)]	5,261	-	-	-	-
Total financial assets not measured at fair value	**10,750**	**-**	**-**	**-**	**-**
30 June 2014					
Trade and other receivables [(1)]	5,354	-	-	-	-
Cash and cash equivalents [(1)]	8,786	-	-	-	-
Total financial assets not measured at fair value	**14,140**	**-**	**-**	**-**	**-**

[(1)] The Group has not disclosed the fair values for these financial assets because these carrying amounts are a reasonable approximation of fair value.

Financial liabilities		**Fair Value**			
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Interest rate swaps for hedging	674	-	674	-	674
Contingent consideration	1,400	-	-	1,400	1,400
Total financial liabilities measured at fair value	**2,074**	**-**	**674**	**1,400**	**2,074**
Secured bank loans	89,000	-	89,000	-	89,000
Trade and other payables [(1)]	12,622	-	-	-	-
Total financial liabilities not measured at fair value	**101,622**	**-**	**89,000**	**-**	**89,000**
30 June 2014					
Interest rate swaps for hedging	56	-	56	-	56
Contingent consideration	1,230	-	-	1,230	1,230
Total financial liabilities measured at fair value	**1,286**	**-**	**56**	**1,230**	**1,286**
Secured bank loans	96,000	-	96,000	-	96,000
Trade and other payables [(1)]	17,714	-	-	-	-
Total financial liabilities not measured at fair value	**113,714**	**-**	**96,000**	**-**	**96,000**

[(1)] The Group has not disclosed the fair values for these financial liabilities because these carrying amounts are a reasonable approximation of fair value.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels during the six months ended 31 December 2014.

13 Financial instruments (continued)

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value			**Inter-relationship between**
Type	**Valuation technique**	**Significant unobservable inputs**	**significant unobservable input and fair value measurement**
Contingent consideration	*Discounted cash flows:* The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate. The expected payments are determined by considering the number of IVF cycles performed at certain times during the 2014 to 2018 financial years.	- Number of IVF cycles	The estimated fair value would increase/(decrease) if: - the risk-adjusted discount rate were lower (higher) - the number of IVF cycles were achieved (not achieved)
Interest rate swaps	*Market comparison technique:* The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable

Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

In thousands of dollars	**Contingent consideration**
Balance at 1 July 2013	-
Assumed in a business combination	1,400
Net change in fair value (unrealised)	(170)
Transfers out of Level 3	-
Balance at 30 June 2014	**1,230**
Balance at 1 July 2014	1,230
Assumed in a business combination	500
Net change in fair value (unrealised)	(100)
Transfers out of Level 3	(230)
Balance at 31 December 2014	**1,400**

13 Financial instruments (continued)

Sensitivity analysis

Contingent consideration

	Profit or loss	
	Increase	Decrease
	$'000	$'000
31 December 2014		
Movement in number of patient treatments target (10% movement)	-	(790)

14 Acquisition of subsidiary and non-controlling interests

Acquisition of subsidiary - Fertility Australia Pty Ltd

On 5 December 2014, the Group acquired Fertility Australia Pty Ltd (Trustee for the Fertility Australia Trust), and the Fertility Australia Trust, trading as Fertility East. The acquisition will enable the Group to expand its business in New South Wales and has synergies with the Group's existing Sydney operations.

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

Consideration	**$'000**
Cash [1]	3,000
Deferred consideration [2]	500
Total	**3,500**

[1] Paid on completion.
[2] If the acquiree meets certain peformance hurdles in a consecutive 12 month period between 1 January 2015 and 31 December 2017, the vendor is entitled to a payment up to $500,000.

Identifiable assets acquired and liabilities assumed	**$'000**
Cash and cash equivalents	213
Trade and other receivables	108
Property, plant and equipment	614
Other assets	145
Tax assets and liabilities	223
Trade and other payables	(515)
Employee entitlements	(250)
Total identifiable net assets	**538**

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

Goodwill

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

	$'000
Total consideration	3,500
less Fair value of identifiable assets	(538)
Goodwill	**2,962**

14 Acquisition of subsidiary and non-controlling interests (continued)

Acquisition of subsidiary - Fertility Australia Pty Ltd (continued)

Impact in profitability

Acquisitions completed during the period contributed additional revenues of $0.2m to the Group. Had the acquisition occurred at the commencement of the period, Group revenue and Group operating profit would have been $2.0m and $0.3m higher respectively.

Acquisition of subsidiary - Palantrou Pty Ltd

On 2 May 2014, the Group acquired Palantrou Pty Ltd, trading as Next Generation Fertility. The acquisition accounting as at 30 June 2014 was performed on a provisional basis and has been updated during the period. As at 31 December 2014, other liabilities included in the acquisition accounting has been increased by $82,000 which has subsequently increased goodwill by $82,000. These values continue to be provisional at 31 December 2014.

Acquisition of subsidiary Yoncat Pty Ltd

On 16 July 2013 the Group obtained control of Yoncat Pty Ltd trading as Reproductive Medicine Albury by acquiring 100% percent of the shares and voting interests in the company. During the period, the acquisition accounting has been finalised and the identifiable assets acquired and liabilities assumed have not changed since 30 June 2014.

15 Contingent liabilities

The Directors are not aware of any contingent liabilities as at reporting date.

16 Related parties

Parent and ultimate controlling party

The ultimate controlling party of the Group is Monash IVF Group Limited. Prior to 26 June 2014, the ultimate controlling party of the Group was Ironbridge Fund II LP. This same entity was the same ultimate parent entity in 2013.

Share Based Payment Plan

The CEO and CFO were granted 800,000 and 200,000 options respectively on 30 July 2014 on the terms described below. They did 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 upon vesting of the options.

The senior executive options granted include terms which provide that, on vesting, following payment of the $1.85 exercise price, 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% per annum, with vesting thereafter determined on a straight line scale with 100% vesting at an EPSG of 10% per annum; and

- 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.

16 Related parties (continued)

Share Based Payment Plan (continued)

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.

Transactions with key management personnel

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

17 Subsequent events

On 25 February 2015, a fully franked interim dividend of 3.25 cents per share was declared. The record date for the dividend is 16 March 2015 and the payment date for the dividend is 18 April 2015.

Other than disclosed above, there has not arisen in the interval between the end of the 31 December 2014 half year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

Directors’ declaration

In the opinion of the directors of Monash IVF Group Limited (the "Company"):

1. the condensed consolidated financial statements and notes that are set out on pages 11 to 25, are in accordance with the Corporations Act 2001 including:

    (a) giving a true and fair view of the Group’s financial position as at 31 December 2014 and of its performance for the six month period ended on that date; and

    (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors:

Mr Richard Davis Chairman	Mr Benjamin (‘James’) Thiedeman Chief Executive Officer and Managing Director

Dated at Melbourne this 25th day of February 2015

Independent auditor's review report to the members of Monash IVF Group Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Monash IVF Group Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2014, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year period ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Monash IVF Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Monash IVF Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne

25 February 2015