

Appendix 4D

Half year report

Name of entity

Monash IVF Group Limited

ABN or equivalent company reference: ACN 169 302 309
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1. Reporting period

Report for the half year ended	31 December 2016
Previous corresponding period is the half year ended	31 December 2015

2. Results for announcement to the market

				A\$'000
Revenue from ordinary activities (<i>item 2.1</i>)	down	0.8%	to	78,704
Earnings before interest, tax, depreciation & amortisation (EBITDA) ⁽¹⁾	up	3.1%	to	25,260
Earnings before interest and tax (EBIT)	up	3.5%	to	23,232
Net profit (loss) from ordinary activities after tax attributable to members (<i>Item 2.2 & 2.3</i>)	up	8.8%	to	15,243
<small>(1) EBITDA is a non-IFRS measure which is used by the group as a key indicator of underlying financial performance</small>				
Dividends (<i>item 2.4</i>)	Date paid / payable (<i>item 5</i>)	Amount per security	Franked amount per security	
Interim dividend				
Current reporting period	7 APR 2017	4.30 ^c	4.30 ^c	
Previous corresponding period	8 APR 2016	4.00 ^c	4.00 ^c	
Final dividend				
Previous corresponding period	14 OCT 2016	4.50 ^c	4.50 ^c	
Record date for determining entitlements to the interim dividend (<i>item 2.5</i>):		3 March 2017		

Brief explanation (*item 2.6*):

Please refer to the commentary in the review of operations and activities section of the directors' report and the Half Year Results Announcement accompanying this Half Year Report.

3. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing (per share)	(\$0.40)	(\$0.43)
Net asset backing (per share)	\$0.68	\$0.63

4. Details of entities over which control has been gained or lost

Not Applicable

5. Total dividend on all securities paid or payable in period

	Current period \$A'000	Previous corresponding period - \$A'000
FY16 Final Dividend Paid (paid 14/10/16)	\$10,593	-
FY15 Final Dividend Paid (paid 14/10/16)		\$8,709
Total dividends paid in period	\$10,593	\$8,709

6. There is currently no dividend reinvestment plan in place

7. Share of net profit/(loss) after tax from associates

Associate	% of holdings	Share of profit/(loss) - \$A'000
Compass Fertility	25%	\$80
North Shore Obstetrics & Gynaecological Ultrasound Services	50%	\$38

8. Foreign Entities accounting standards

Not Applicable.

9. Audit of the financial report

The financial report has been subject to a half year audit review by KPMG and no review dispute or qualification is contained in the attached independent review report for the half year ended 31 December 2016.

Monash IVF Group Limited
ACN 169 302 309

Financial Report

For the six months ended 31 December 2016

Monash IVF Group Limited

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FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

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The financial report is presented in Australian dollars.

Monash IVF Group Limited is a company limited by shares, incorporated and domiciled in Victoria, Australia. Its registered office and principal place of business is:

Level 1, 21-31 Goodwood Street,
Richmond, Victoria 3121
Australia

Monash IVF Group Limited
DIRECTORS REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

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 2016, and the auditor's review report thereon.

Directors

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

Director

Mr Richard Davis
Ms Christy Boyce
Mr Neil Broekhuizen
Mr Josef Czyzewski
Dr Richard Henshaw
Ms Zita Peach (appointed 12 October 2016)
Mr James Thiedeman

Principle activity

The Group is a leader in the field of human fertility services and is one of the leading providers of Assisted Reproductive Services (ARS) which is the most significant component of fertility care in Australia and Malaysia. ARS encompass a range of techniques used to assist patients experiencing infertility to achieve a clinical pregnancy. In addition, the Group is a significant provider of specialist women's imaging services.

Operational and Financial Review

Monash IVF Group (ASX: MVF), a leading provider and driving force in fertility care, women's imaging and diagnostics in Australia and Malaysia, has reported an increase of 8.8% in reported net profit after tax (NPAT) to \$15.2m whilst Group revenues were 0.8% down at \$78.7m for the half year ended 31 December 2016 (1H17).

\$m	1H17	1H16	% Change
Group Revenue	\$78.7	\$79.3	(0.8%)
EBITDA ⁽¹⁾⁽²⁾⁽³⁾	\$25.3	\$24.5	3.1%
EBIT	\$23.2	\$22.4	3.5%
NPAT	\$15.2	\$14.0	8.8%
EPS (cents)	6.48	5.95	8.8%
DPS (cents)	4.3	4.0	7.5%
	1H17	2H16	
Net Debt	\$92.8	\$86.5	
Net Debt to Equity ratio ⁽⁴⁾	58.1%	55.8%	
Return on Equity (pa.) ⁽⁵⁾	19.4%	19.3%	

(1) EBITDA is a non-IFRS measure which is used by the Group as a key indicator of underlying performance

(2) Non-IFRS measures have not been subject to audit or review

(3) EBITDA is earnings before interest, tax, depreciation and amortisation

(4) Net Debt to Equity is calculated using Net Debt divided by equity as at 31 December and 30 June 2016 respectively

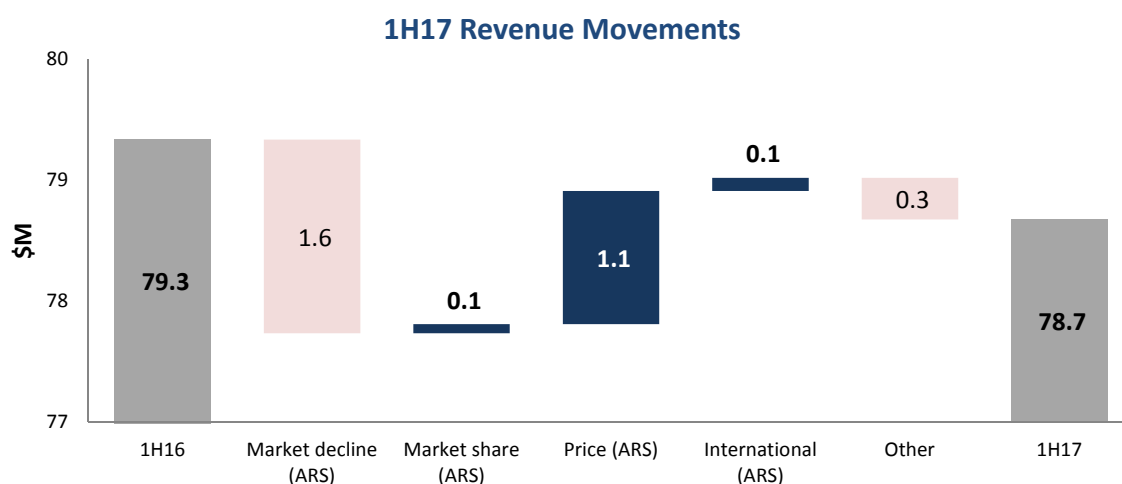
(5) Return on Equity is calculated using NPAT for the previous 12 month period divided by the average equity in the same period

Highlights for the period were:

- NPAT increased 8.8% or \$1.2m to \$15.2m vs pcp.
- The Group Key Markets² Stimulated Cycles³ decreased by 2.4% against overall Key Markets² decline of 4.8%;
- The Group Key Markets² Stimulated Cycles³ market share increased to 25.9% from 25.3% in pcp with the Group's Key Markets² Patient Treatments¹ market share increasing by 0.1% to 25.8%;
- Although a new low cost competitor entered the Victorian ARS market our market share marginally declined vs pcp reflecting the resilience of our premium brand and services in a competitive market;
- Group experienced market share growth in Queensland and stable market share in New South Wales and South Australia;
- Complementing the Group's women's imaging services, our migration to in-house Non Invasive Prenatal Testing (NIPT) under the NEST brand, was achieved in November 2016, ensuring we maintain leading edge science and capture the full margin;
- Conversion of the Group's Low Intervention clinic in Mosman (Bump) to a full service Monash IVF branded clinic, confirming our strategic market position as a premium service provider;
- Rebranding of our Next Generation Fertility clinic in Parramatta to Monash IVF as a part of our strategy to rationalise and consolidate brands to Monash IVF;
- Balance sheet stable, delivering a Return on Equity of 19.4% pa;
- Successful refinance of total debt facility in June 2016 and lower average debt generated interest savings of \$0.8m in 1H17 vs pcp; and
- The Group Medical Advisory Committee and the Group Medical Executive Committee continued to work effectively.

Revenue

Group revenues declined by \$0.6m (0.8%) to \$78.7m compared to 1H16. A summary of the decline in revenues is detailed in the waterfall chart below:



(1) Includes stimulated Cycles, Cancelled Cycles and Frozen Embryo Transfers

(2) Victoria, Queensland, South Australia, Northern Territory and New South Wales. NSW is now included in Key Markets as MVF has ~8% of the largest Australian state-based IVF market

(3) Stimulated cycles excludes cancelled cycles

Revenue (continued)

The following details key movements in revenue:

- **Market Decline (ARS):** \$1.6m or 2.0% revenue decline due to overall ARS market size reduction experienced in all Australian states MVF operates in following strong comparable volume growth rates. For the six month period to 31 December 2016, Stimulated Cycles¹ in Key Markets² declined by 4.8% (8.4% increase in 1H16 vs. 1H15) whilst Patient Treatments³ declined 3.5% (10.8% increase in 1H16 vs. 1H15);
- **Market Share (ARS):** \$0.1m or 0.1% revenue growth as the Stimulated Cycles¹ market share grew significantly by 0.6% to 25.9% in the Group's Key Markets² which was partly offset by a decline in frozen embryo transfer market share as competitors catch up to MVF's clinical practices;
- **Pricing (ARS):** \$1.1m or 2.0% revenue growth from price increases across all ARS service offerings;
- **International:** \$0.1m or 0.1% revenue growth in the International segment from KL Fertility & Gynaecological Centre. Patient Treatments³ volumes at the Kuala Lumpur clinic increased by 17.6% however, decline in MYR exchange rate impacted revenues in AUD;
- **Other revenue:** \$0.3m revenue decline pre-dominantly due to Ultrasound revenues reducing by \$0.3m as a result of NSW market decline and volume slippage from a key referrer.

(1) Stimulated cycles excludes Cancelled Cycles

(2) Victoria, Queensland, South Australia, Northern Territory and New South Wales. NSW included in Key Markets as MVF has ~8% of the largest Australian state-based IVF market

(3) Includes Stimulated Cycles, Cancelled Cycles and Frozen Embryo Transfers

Patient Treatments

IVF Treatment numbers	1H17	1H16	% Change
Monash IVF Group – Australia			
Stimulated cycles	4,557	4,668	(2.4%)
Cancelled cycles	504	561	(10.2%)
Frozen embryo transfers	3,167	3,294	(3.9%)
Total IVF Patient Treatments	8,228	8,523	(3.5%)
Monash IVF Group – International			
Stimulated cycles	338	307	10.1%
Cancelled cycles	28	19	47.4%
Frozen embryo transfers	301	241	24.5%
Total IVF Patient Treatments	667	567	17.6%
Total Monash Group			
Stimulated cycles	4,895	4,975	(1.6%)
Cancelled cycles	532	580	(8.3%)
Frozen embryo transfers	3,468	3,535	(1.9%)
Total IVF Patient Treatments	8,895	9,090	(2.1%)
Stimulated cycles as a % of Total Patient Treatments	55.0%	54.7%	
Other Treatment numbers	1H17	1H16	% Change
Ultrasound Scans	37,529	41,218	(9.0%)
Pre-implantation Genetic Screening/Diagnosis	872	917	(4.9%)
Non Invasive Prenatal Testing (NIPT)	4,820	4,427	9.2%

The Group's Australian Stimulated cycles declined by 2.4% whilst Stimulated Cycles¹ in the Australian IVF market declined at a faster rate by 6.2%. IVF Patient Treatments² declined by 195 or 2.1% to 8,895 as Australia declined by 3.5% partly offset by a 17.6% increase in International volumes. Cancelled cycles reduced by 10.2% as a result of more effective scientific protocol.

International Stimulated Cycles¹ increased by 10.1% reflecting continued strong growth in Kuala Lumpur. International Frozen Embryo Transfers increased by 24.5% as the penetration of freeze all cycles increases as a result of change of scientific protocol.

Ultrasound scan volumes declined by 9.0% reflecting decline in Sydney Ultrasound for Women volumes as a result of NSW market decline and volume slippage from a key referrer. Pre-implantation Genetic Screening/Diagnosis (PGS/D) was impacted by the decline in Stimulated Cycle activity whilst Non Invasive Prenatal Testing (NIPT) continues to experience strong growth.

(1) Stimulated cycles excludes Cancelled Cycles

(2) Includes Stimulated Cycles, Cancelled Cycles and Frozen Embryo Transfers

Expenditure before interest and tax

The table below provides a summary of Expenditure before interest and tax for 1H17 compared to 1H16:

	1H17 \$m	1H16 \$m	% Change
Employee expenses	24.1	22.8	5.7%
Clinician fees	12.3	12.7	(3.1%)
Raw materials and consumables used	6.6	7.8	(15.4%)
Marketing and advertising expense	2.4	2.7	(11.1%)
IT and communications expense	1.3	1.4	(7.1%)
Property expenses	3.9	4.0	(2.5%)
Professional and other fees	1.2	1.6	(25.0%)
Other fixed costs	1.7	2.0	(15.0%)
Total operating expenditure	53.4	54.8	(2.6%)
<i>% of Group revenues</i>	67.9%	69.1%	
Depreciation and amortisation	2.0	2.1	(4.8%)
Total expenditure before interest and tax	55.4	56.9	(2.6%)
<i>% of Group revenues</i>	70.5%	71.7%	

The following details key expenditure movements in 1H17 against 1H16:

- **Employee benefits expense** increased by \$1.3m or 5.7%. The increase is primarily due to annual wage increases and additional head count to improve clinical outcomes and patient experiences;
- **Clinician fees** declined by \$0.4m or 3.1% due to the reduction in IVF Patient Treatments¹ and ultrasound scan volumes;
- **Raw material and consumables** reduced by \$1.2m or 15.4% due to procurement benefits, decline in low-margin donor services and lower IVF and ultrasound volumes;
- **Marketing and advertising expense** decreased by \$0.3m or 11.1% as more cost effective marketing programs are employed across our Australian markets;
- **IT & communication expense** decreased by \$0.1m or 7.1% due to integration and consolidation of IT contracts and services provided to the Sydney Ultrasound for Women business;
- **Property expenses** decreased by \$0.1m or 2.5% as we have a comparable clinic network;
- **Professional and other fees** decreased by \$0.4m or 25.0% due to lower external consulting and legal services; and
- **Other Fixed Costs** decreased by \$0.3m or 15.0% commensurate to lower ARS activity and overall cost management.

EBITDA² growth of 3.1% whilst margins improved by 1.2% to 32.1% due to:

- Volume reduction in lower margin revenue activities; and
- Sustainable cost control initiatives.

(1) Patient Treatments include Stimulated cycles, cancelled cycles and frozen embryo transfers

(2) Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-IFRS measure which is used by the Group as a key indicator of underlying performance and is not subject to audit or review

Net interest expense

Net finance costs reduced by 30.0% to \$1.7m due to lower margins, underlying interest rates and a reduction of debt levels as compared to the comparative period.

Taxation

The effective tax rate has reduced to 29.1% compared to 29.8% in pcp after research and development concessions and lower tax rate in Malaysia.

Segment analysis

\$m	Australia			International		
	1H17	1H16	% change	1H17	1H16	% change
Revenue	75.6	76.3	(0.9%)	3.1	3.0	3.3%
Reported EBITDA ²	24.2	23.4	3.4%	1.1	1.1	0.0%
NPAT	14.5	13.2	9.8%	0.8	0.8	0.0%

Key segment earnings highlights are detailed below:

Australia

Australia revenues declined by \$0.7m (-0.9%) to \$75.6m vs pcp driven by:

- 6.2% decline in IVF Stimulated Cycles³ in Australia, however the Group's Australia segment IVF Stimulated Cycles³ volumes declined at a lower rate of 2.4%;
- 9.0% decline in ultrasound volumes partly offset by increase in NIPT services;
- 0.1% increase in IVF Patient Treatment¹ market share; and
- Price increases across all services provided.

Australia EBITDA² growth of \$0.8m (3.4%) to \$24.2m.

International

International revenues increased by \$0.1m (3.3%) to \$3.1m vs pcp driven by:

- ARS Patient Treatment¹ growth of 17.6% to 667 as Stimulated Cycles³ increase at 10.1% whilst frozen embryo transfers increase by 24.5%;
- Patient Treatment¹ growth partly offset by weakening of MYR foreign exchange against AUD and investment to support transition to a new clinic.

International EBITDA² was maintained at \$1.1m in 1H17 vs. pcp.

(1) Patient Treatments include Stimulated cycles, cancelled cycles and frozen embryo transfers

(2) Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-IFRS measure which is used by the Group as a key indicator of underlying performance and is not subject to audit or review

(3) Stimulated Cycles exclude Cancelled Cycles

Statement of financial position and Capital Metrics

Balance Sheet (\$m)	Dec 16	Jun 16	% change
Cash and cash equivalents	4.2	8.5	(50.6%)
Other current assets	10.7	9.3	15.1%
Current liabilities	(26.3)	(36.1)	(27.1%)
Net working capital	(11.4)	(18.3)	(37.7%)
Borrowings	(97.0)	(95.0)	2.1%
Goodwill & Intangibles	254.3	254.0	0.1%
Property Plant & Equipment	15.7	15.2	3.3%
Other assets/liabilities	(2.0)	(1.0)	(100%)
Net assets	159.6	154.9	3.0%
Capital Metrics	Dec 16	Jun 16	+/-
Net Debt (\$m)	92.8	86.5	-6.3
Leverage Ratio (Net Debt / EBITDA) ¹	1.84x	1.75x	-0.09x
Interest Cover (EBITDA / Interest) ¹	14.2x	11.8x	2.4x
Net Debt to Equity Ratio ²	58.1%	55.8%	2.3%
Return on Equity³	19.4%	19.3%	0.1%
Return on Assets⁴	10.5%	10.1%	0.4%

(1) Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-IFRS measure which is used by the Group as a key indicator of underlying performance and is not subject to audit or review

(2) Debt, net of cash balance, divided by equity at balance date

(3) NPAT for the previous 12 month period divided by average equity in the same period

(4) NPAT for the previous 12 month period divided by average assets in the same period

Key balance sheet and capital metric highlights are as follows:

- Balance sheet strength maintained with net debt to equity ratio of 58.1%;
- Net Debt increased by \$6.3m after \$12.3m tax payments (including \$9.5m relating to FY16), \$10.6m dividend payments and \$2.9m capital expenditure;
- Net working capital requirements improved primarily as a result of settlement of FY16 tax obligations;
- Long-term debt facility in-place with blend of 3, 4 and 5 year term debt with 1st tranche expiring in FY20;
- Debt capacity of \$58m remains available including \$40m accordion facility and \$5m working capital to support future strategic growth opportunities;
- Significant headroom in Banking Covenants – leverage ratio of 1.84x (<3.5x requirement) and interest cover 14.2x (>3.0x requirement);
- Our key capital return metrics improved compared to 30 June 2016 with return on equity increasing to 19.4% and return on assets to 10.5%;
- 66.4% dividend payout ratio on 1H17 earnings.

Statement of cash flows

	1H17 \$m	1H16 \$m	Change%
Net operating cash flow (pre-tax)	21.4	23.1	(7.4%)
Net operating cash flow (post-tax)	9.1	19.0	(52.1%)
Cash flow from investing activities	(3.2)	(4.3)	25.6%
Cash flow from financing activities	(10.0)	(14.0)	28.6%
Net cash flow movement	(4.1)	0.7	-
Closing cash balance	4.2	10.6	(60.4%)
Free cash flow ¹	5.9	14.7	(59.9%)

⁽¹⁾ Free cash flow is a non-IFRS measure used by the Group as a key indicator of cash generated from operating and investing activities. Calculated as Net cash flow generated from operating activities less Net cash flows used in investing activities

Key cash flow highlights are as follows:

- Strong cash flow generation with a pre-tax conversion of operating cash flow to EBITDA of 84.6% (1H16: 94.5%).
- Net operating cash flow after tax and free cash flow declined by \$9.9m and \$8.8m respectively, predominately due to anticipated FY16 corporate tax payments of \$9.5m;
- Financing activities include \$10.6m FY16 final dividend paid; and
- Investing activities include capital expenditure of \$2.9m on Non-Invasive Pre-natal Testing technology, enhancement and upgrade to IVF and Ultrasound patient management systems and equipment refresh. In addition, an investment into an IVF joint venture in Hobart, Tasmania (Fertility Tasmania) was made for \$315k.

Dividends

On 20 February 2017, the Board declared a fully franked interim dividend of 4.3 cents per share representing a 7.5% increase on pcp. The record date for the dividend is 3 March 2017 and the payment date for the dividend is 7 April 2017.

Outlook

We anticipate the reported FY17 NPAT will be above the prior year, the quantum of which is dependent on Stimulated Cycles¹ market growth rates, particularly in 4Q17. We continue to benefit from cost control and improved capital management, however there has been no apparent reversion of ARS industry growth rates to long term market trend growth rates in the first two months of 2H17.

Monash IVF Group is well positioned to grow its revenues and earnings in the future as a result of:

- Strong underlying demand fundamentals for IVF and women's imaging services;
- Market leading success rates and a highly respected doctor group;
- Clear strategy to focus on our premium services and brands;
- Effective cost management and leverage from its international and domestic business; and
- Acquisitive growth strategy, both domestically and internationally.

(1) Stimulated cycles excludes Cancelled Cycles

Matters subsequent to the end of the financial year

Other than the dividend declared on 20 February 2017 as noted above, 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.

Environmental regulations

The Group is not subject to any significant environmental regulations under Commonwealth or State legislation.

Likely developments

The Group remains committed, prudent and focused on profitably growing the Business through leveraging its scientific capabilities and scale across the clinic network both domestically and internationally.

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.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 12 and forms part of the directors' report for the six months ended 31 December 2016.

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



Richard Davis
Chairman

Dated at Melbourne this 20th day of February 2017



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 2016 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

BW Szentirmay

Partner

Melbourne

20 February 2017

Monash IVF Group Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the six months ended 31 December 2016

	Consolidated	
	31/12/2016	31/12/2015
	\$'000	\$'000
Revenue	78,704	79,335
Employee benefits expense	(24,105)	(22,769)
Clinician's fees	(12,257)	(12,651)
Raw materials and consumables used	(6,594)	(7,836)
IT and communications expense	(1,302)	(1,393)
Depreciation & amortisation expense	(2,028)	(2,062)
Property expense	(3,878)	(3,985)
Marketing and advertising expense	(2,406)	(2,662)
Professional and other fees	(1,209)	(1,562)
Other expenses	(1,693)	(1,974)
Operating Profit	23,232	22,441
Finance income	11	12
Finance expenses	(1,749)	(2,496)
Net finance costs	(1,738)	(2,484)
Profit before tax	21,494	19,957
Income tax expense	(6,251)	(5,948)
Profit for the period	15,243	14,009
Other comprehensive income / (loss)		
Items that are or may be reclassified subsequently to profit and loss:		
Cash flow hedges	256	166
Tax on cash flow hedges	(77)	(50)
Exchange difference on translation of foreign operations	(216)	(127)
Other comprehensive loss for the period, net of tax	(37)	(11)
Total comprehensive income for the period	15,206	13,998
Profit attributable to:		
Owners of the company	15,243	14,009
Non-controlling interests	-	-
Profit for the period	15,243	14,009
Total comprehensive income attributable to:		
Owners of the company	15,206	13,998
Non-controlling interests	-	-
Total comprehensive income for the period	15,206	13,998
Earnings per share		
Basic earnings per share (cents)	6.48	5.95
Diluted earnings per share (cents)	6.45	5.93

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

Monash IVF Group Limited
Condensed consolidated statement of financial position
As at 31 December 2016

	Consolidated	
	31/12/2016	30/06/2016
	\$'000	\$'000
Current assets		
Cash and cash equivalents	4,183	8,472
Trade and other receivables	4,710	4,454
Other assets	6,045	4,883
Total current assets	14,938	17,809
Non current assets		
Equity accounted investment	667	352
Trade and other receivables	124	161
Plant and equipment	15,723	15,244
Intangible assets	254,308	253,952
Total non current assets	270,822	269,709
Total assets	285,760	287,518
Current liabilities		
Trade and other payables	16,563	19,174
Borrowings	194	453
Current tax liability	2,461	9,685
Employee benefits	7,046	6,831
Total current liabilities	26,264	36,143
Non current liabilities		
Trade and other payables	513	283
Borrowings	96,599	94,548
Employee benefits	965	952
Deferred tax liability	1,813	717
Total non current liabilities	99,890	96,500
Total liabilities	126,154	132,643
Net assets	159,606	154,875
Equity		
Contributed equity	428,347	428,347
Reserves	(137,012)	(137,093)
Profits reserve	29,163	24,513
Retained earnings	(160,892)	(160,892)
Total equity attributed to ordinary shareholders of Monash IVF Group Ltd	159,606	154,875
Total equity	159,606	154,875

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

Monash IVF Group Limited
Condensed consolidated statement of changes in equity

For the six months ended 31 December 2016

	Contributed equity \$'000	Other equity reserve ⁽¹⁾ \$'000	Profits reserve ⁽²⁾ \$'000	Retained earnings \$'000	Other reserves ⁽³⁾ \$'000	Total \$'000	Non- controlling interest \$'000	Total Equity \$'000
Consolidated Balance at 30 June 2015	428,347	(136,811)	13,863	(160,892)	(482)	144,025	-	144,025
Profit for the period	-	-	14,009	-	-	14,009	-	14,009
Total other comprehensive income	-	-	-	-	(11)	(11)	-	(11)
Total comprehensive income for the period	428,347	(136,811)	27,872	(160,892)	(493)	158,023	-	158,023
Transactions with owners in their capacity as owners directly in equity								
Issue of ordinary shares in Monash IVF Group Ltd	-	-	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	59	59	-	59
Dividends paid	-	-	(8,709)	-	-	(8,709)	-	(8,709)
Consolidated Balance at 31 December 2015	428,347	(136,811)	19,163	(160,892)	(434)	149,373	-	149,373
Consolidated Balance at 30 June 2016	428,347	(136,811)	24,513	(160,892)	(282)	154,875	-	154,875
Profit for the year	-	-	15,243	-	-	15,243	-	15,243
Total other comprehensive income	-	-	-	-	(37)	(37)	-	(37)
Total comprehensive income/(loss) for the period	428,347	(136,811)	39,756	(160,892)	(319)	170,081	-	170,081
Transactions with owners in their capacity as owners directly in equity								
Issue of ordinary shares in Monash IVF Group Ltd	-	-	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	118	118	-	118
Dividends paid	-	-	(10,593)	-	-	(10,593)	-	(10,593)
Consolidated Balance at 31 December 2016	428,347	(136,811)	29,163	(160,892)	(201)	159,606	-	159,606

(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.

(3) Other reserves include share-based payments, foreign currency translation and hedging reserve.

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

Monash IVF Group Limited
Condensed consolidated statement of cash flows
For the six months ended 31 December 2016

	Consolidated	
	31/12/2016	31/12/2015
	\$'000	Restated \$'000
Cash flows from operating activities		
Receipts from customers	76,391	79,053 (1)
Payments to suppliers and employees	(54,968)	(55,905) (1)
Cash generated from operations	21,423	23,148
Income tax paid	(12,279)	(4,111)
Net cash flows from operating activities	9,144	19,037
Cash flows from investing activities		
Payments for plant and equipment	(2,863)	(1,647)
Acquisition of controlled entities and associates	(315)	(2,619)
Net cash flows used in investing activities	(3,178)	(4,266)
Cash flows from financing activities		
Receipt of borrowings	9,000	5,000
Interest received	11	12
Receipt of loans receivable	38	12
Repayment of borrowings	(7,000)	(8,000)
Interest paid	(1,495)	(2,329)
Dividends paid	(10,593)	(8,709)
Net cash flows used in financing activities	(10,039)	(14,014)
Total cash flows from activities	(4,073)	757
Cash and cash equivalents at beginning of period	8,472	9,989
Effects of exchange rate changes on foreign currency cash flows and cash balances	(216)	(127)
Cash and cash equivalents at end of period	4,183	10,619

(1) Comparative information has been restated by reducing Receipts from customers and Payments to suppliers and employees by \$4,790,000, for the re-classification of pre-paid patient receipts

Monash IVF Group Limited

Notes to the condensed consolidated financial statements

For the six months ended 31 December 2016

1 Reporting entity

Monash IVF Group Limited (the 'Company') is a company domiciled in Australia and listed on the Australian Stock Exchange. The Group is primarily involved in the area of assisted reproductive services and the provision of specialist womens imaging services. These condensed consolidated interim financial statements as at and for the six months ended 31 December 2016 comprise the Company and its subsidiaries (collectively referred to as the 'Group').

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2016 are available upon request from the Company's registered office at Level 1, 21-31 Goodwood Street, Richmond, Victoria and on the Company's website.

2 Basis of accounting

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 Interim Financial Reporting, and the Corporations Act 2001, and with IAS 34 Interim Financial Reporting.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and considered with any public announcements made by the company during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

These interim financial statements were authorised for issue by the Board of Directors on 20 February 2017.

Going concern

As at 31 December 2016, the Group has a net current asset deficiency of \$11,326,000 (30 June 2016: \$18,334,000).

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 based on forecast operating cashflows which indicate that cash reserves are sufficient to fund operations, the availability of committed but undrawn external debt facilities, and given certain current liabilities such as employee entitlements and deferred income will not be fully settled in the short term to cause a liquidity shortfall.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporation (Rounding in Financial/Directors' Reports) instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC), relating to rounding off of amounts in the condensed consolidated financial statements. Amounts in the condensed consolidated financial statements have been rounded off in accordance with that legislative instrument to the nearest thousand, unless specifically state to be otherwise.

Monash IVF Group Limited

Notes to the condensed consolidated financial statements

For the six months ended 31 December 2016

3 Significant accounting policies

The accounting policies applied by the Group in these 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 2016.

4 Use of estimates and judgements

In preparing these interim financial statements, management has made 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 2016.

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.

Monash IVF Group Limited

Notes to the condensed consolidated financial statements

For the six months ended 31 December 2016

6 Operating segments

Information about reportable segments

	Monash IVF Group Australia \$'000	Monash IVF Group International \$'000	Total reportable segments \$'000
31/12/2016			
Revenue			
External revenue	75,560	3,144	78,704
Total Revenue	75,560	3,144	78,704
Other income	-	-	-
Total revenue and other income	75,560	3,144	78,704
EBITDA	24,178	1,082	25,260
Depreciation and amortisation expense	(1,986)	(42)	(2,028)
Interest revenue	11	-	11
Interest expense	(1,694)	-	(1,694)
Amortisation of bank facility fees	(55)	-	(55)
Profit before income tax expense	20,454	1,040	21,494
Income tax expense	(5,991)	(260)	(6,251)
Profit for the period	14,463	780	15,243
31/12/2016			
Segment assets	277,538	8,222	285,760
Acquisition of plant & equipment and intangibles	2,365	498	2,863
Segment liabilities	(125,595)	(558)	(126,154)

Monash IVF Group Limited

Notes to the condensed consolidated financial statements

For the six months ended 31 December 2016

6 Operating segments (continued)

Information about reportable segments (continued)

	Monash IVF Group Australia	Monash IVF Group International	Total reportable segments
31/12/2015	\$'000	\$'000	\$'000
Revenue			
External revenue	76,322	3,013	79,335
Total Revenue	76,322	3,013	79,335
Other income	-	-	-
Total revenue and other income	76,322	3,013	79,335
EBITDA	23,432	1,071	24,503
Depreciation and amortisation expense	(2,023)	(39)	(2,062)
Interest revenue	12	-	12
Interest expense	(2,414)	-	(2,414)
Amortisation of bank facility fees	(82)	-	(82)
Profit before income tax expense	18,925	1,032	19,957
Income tax expense	(5,694)	(254)	(5,948)
Profit for the period	13,231	778	14,009
30/06/2016			
Segment assets	279,502	8,016	287,518
Acquisition of plant & equipment and intangibles	7,361	842	8,203
Segment liabilities	(132,184)	(459)	(132,643)

Monash IVF Group Limited

Notes to the condensed consolidated financial statements

For the six months ended 31 December 2016

7 Tax expense

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2016 was 29.1% (for the six months ended 31 December 2015: 29.8%). The 31 December 2016 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 2016, the Group acquired assets with a cost of \$2,863,000 (six months ended 31 December 2015: \$1,647,000).

Capital commitments

As at 31 December 2016, the Group has capital commitment for plant and equipment contracted for amounting to \$1.1m (as at 31 December 2015: \$1.5m).

9 Equity

Movements in ordinary share capital

	Number of shares issued	\$'000
Opening balance (1/7/15)	235,395,438	428,347
Issued in business combination	-	-
Closing balance (30/6/16)	235,395,438	428,347
Opening balance (1/7/16)	235,395,438	428,347
Issued in business combination	-	-
Closing balance (31/12/2016)	235,395,438	428,347

Dividends paid

On 26 August 2016, a fully franked dividend of 4.5 cents per share was declared. The record date for the dividend was 7 September 2016 and the payment date for the dividend was 14 October 2016.

10 Earnings per share

	31/12/2016	31/12/2015
Earnings per share	Cents per share	Cents per share
Basic earnings per share	6.48	5.95
Diluted earnings per share	6.45	5.93

	31/12/2016	31/12/2015
Profit attributable to ordinary shareholders	\$'000	\$'000
Profit after income tax attributable to the ordinary shareholders used in calculating basic and diluted earnings per share	15,243	14,009

	31/12/2016	31/12/2015
Weighted average number of shares (basic)	Number	Number
Issued ordinary shares at 1 July	235,395,438	235,395,438
Adjustments for calculation of diluted earnings per share	1,033,570	800,000
Weighted average number of ordinary shares (diluted) at 31 December	236,429,008	236,195,438

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 all dilutive potential ordinary shares.

11 Financial instruments

(a) Carrying amounts and fair value

Valuation methodology of financial instruments

For financial instruments measured and carried at fair value, the Group uses the following to categorise the method used:

- Level 1: fair value is calculated using quoted prices in active markets;
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

All of the Group's financial instruments carried at fair value were valued using market observable inputs (Level 2) with the exception of contingent consideration (Level 3) which were not material.

For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Monash IVF Group Limited

Notes to the condensed consolidated financial statements

For the six months ended 31 December 2016

11 Financial instruments (continued)

(a) Carrying amounts and fair value (continued)

There were no transfers between Level 1 and Level 2 during the period. There was no material Level 3 fair value movements during the period.

Fair values

The carrying amounts and estimated fair values of all the Group's financial instruments including interest rate swaps and borrowings, recognised in the financial statements are materially the same. The valuation category, methods and assumptions used to estimate the fair value of financial instruments are as follows:

Level 1

Cash

The carrying amount is fair value due to the asset's liquid nature.

Receivables/payables

Due to the short-term nature of these financial rights and obligations, carrying amounts are estimated to represent fair values.

Interest-bearing loans and borrowings

Quoted market prices or dealer quotes for similar instruments are used to value long-term debt instruments.

Level 2

Derivatives

The fair values of interest rate swaps are \$304,000 (30 June 2016: \$564,000) are calculated at the present value of estimated future cash flows using a market based yield curve sourced from available market data quoted for all major currencies.

Financial risk factors

The Group's activities expose its financial instruments to a variety of market risks, including interest rate risk. The half-year financial report does not include all risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial report for the year ended 30 June 2016. There have been no significant changes in risk management factors or policies since 30 June 2016.

12 Contingent liabilities

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

13 Related parties

Parent and ultimate controlling party

The ultimate controlling party of the Group is Monash IVF Group Limited.

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.

Monash IVF Group Limited

Notes to the condensed consolidated financial statements

For the six months ended 31 December 2016

14 Subsequent events

On 20 February 2017, a fully franked interim dividend of 4.3 cents per share was declared. The record date for the dividend is 3 March 2017 and the payment date for the dividend is 7 April 2017.

Other than the items above, 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.

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 13 to 24 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 2016 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.
3. This declaration has been made after receiving the declaration made to the directors for the half year ended 31 December 2016 in accordance with the 3rd edition of the ASX Corporate Governance Principles & Recommendations.

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 20th day of February 2017



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

Report on the financial report

We have reviewed the accompanying half-year financial report of Monash IVF Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year period ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Responsibility of the Directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year 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 half-year 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 2016 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 half-year 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 half-year 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 2016 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

A handwritten signature in blue ink, appearing to be 'BW Szentirmay', with a long horizontal line extending to the right.

BW Szentirmay

Partner

Melbourne

20 February 2017