Appendix 4E
Final Report

Name of entity

Monash IVF Group Limited

ABN or equivalent company reference: ACN 169 302 309

1. Reporting period

Report for the year ended	30 June 2017
Previous corresponding period is the year ended	30 June 2016

2. Results for announcement to the market

				A$'000
Revenue from ordinary activities *(item 2.1)*	down	0.9%	to	155,182
Earnings before interest, tax, depreciation & amortisation (EBITDA)(1)	down	1.2%	to	48,974
Earnings before interest and tax (EBIT)	down	1.7%	to	44,613
Net profit (loss) from ordinary activities after tax attributable to members *(Item 2.2 & 2.3)*	up	2.9%	to	29,619

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

Dividends (*item 2.4*)	Date paid / payable (*item 5*)	Amount per security	Franked amount per security
FY17 Interim Dividend	7 Apr 2017	4.30¢	4.30¢
FY17 Final Dividend	13 Oct 2017	4.50¢	4.50¢
Total FY17 Dividends		**8.80¢**	**8.80¢**
Total corresponding year Dividends		8.50¢	8.50¢

Record date for determining entitlements to the Final Dividend (*item 2.5*):	7 September 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 Results Announcement accompanying this Report.

3. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing (per share)	($0.39)	($0.42)
Net asset backing (per share)	$0.70	$0.66

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

Not Applicable

5. Total dividend on all securities paid in period

	Current period $A'000	Previous corresponding period - $A'000
FY16 Final Dividend Paid (paid 14/10/16)	$10,592	$8,709
FY17 Interim Dividend Paid (paid 7/04/17)	$10,122	$9,416
Total dividends paid in period	**$20,714**	**$18,125**

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 (1)	25%	$173
North Shore Obstetrics & Gynaecological Ultrasound Services (2)	50%	$38
Hobart IVF Pty Limited (3)	35%	($120)

(1) Compass Fertility was previously known as ISIS Fertility Unit Trust

(2) Monash IVF Group holdings in North Shore Obstetrics & Gynaecological Ultrasound Services ceased on 31/10/16

(3) Hobart IVF Pty Limited commenced trading in FY17 and the losses are as a result of start up costs.

8. Foreign Entities accounting standards

Not Applicable.

9. Audit of the financial report

The financial report has been subject to an audit by KPMG and no dispute or qualification is contained in the attached independent audit report for the year ended 30 June 2017.

Monash IVF Group Limited
ACN 169 302 309

Financial Report

For the year ended 30 June 2017

Contents

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

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 for the year ended 30 June 2017, and the auditor's review report thereon.

Directors

The Directors of the Company at any time during or since the end of the year are:

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

Information on the Directors' and Company Secretary's experience is outlined on page 13 and 14. Information on the Directors' responsibilities is outlined in the Corporate Governance Statement.

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, today reported an increase of 2.9% in reported net profit after tax (NPAT) to $29.6m whilst Group revenues were 0.9% down at $155.2m for the year ended 30 June 2017 (FY17).

$m	FY17	FY16	% Change
Group Revenue	$155.2	$156.6	(0.9%)
EBITDA(1)(2)	$49.0	$49.6	(1.2%)
EBIT	$44.6	$45.4	(1.7%)
NPAT	$29.6	$28.8	2.9%
EPS (cents)	12.6	12.2	3.3%
DPS (cents)	8.8	8.5	3.5%
	FY17	FY16	
Net Debt	$92.0	$86.5	
Net Debt to Equity ratio (3)	56.3%	55.9%	
Return on Equity (pa.) (4)	18.6%	19.3%	

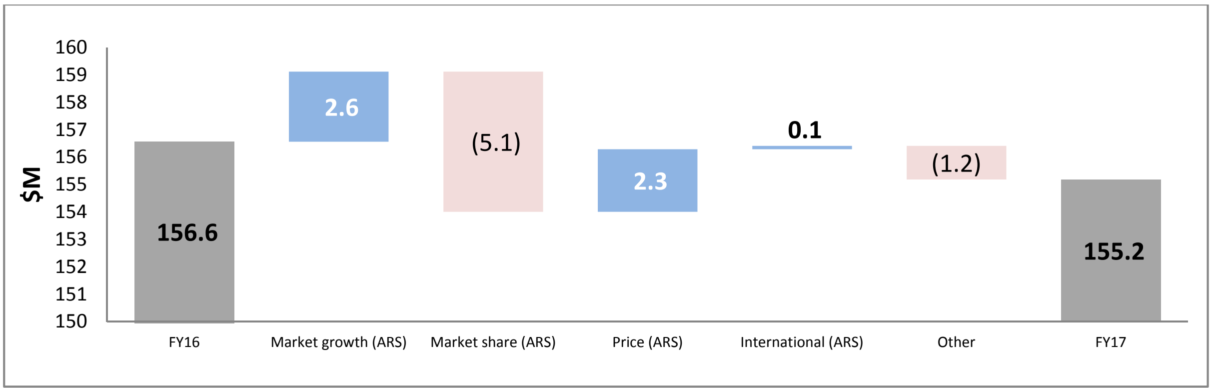
(1) EBITDA is earnings before interest, tax, depreciation and amortisation.
(2) EBITDA is a non IFRS measure which is used by the Group as a key indicator of underlying performance. This and any other non IFRS measure is not subject to audit or review.
(3) Net Debt to Equity is calculated using Net Debt divided by equity as at 30 June 2017.
(4) 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 2.9% or $0.8m to $29.6m vs pcp;
- Relocation of our Malaysian clinic in Kuala Lumpur to a new state of art clinic in May 2017, whereby early signs are very positive as reflected through patient feedback and strong demand growth since opening;
- 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;
- Strong cost control and efficient work practices ensured EBITDA margins were relatively stable at 31.6% despite the challenging revenue environment;
- The conversion of a 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";
- Commencing IVF services in Hobart, Tasmania as a minority shareholder in "Fertility Tasmania" in December 2016;
- The Group Australian Stimulated Cycles[1] decreased by 3.1% against overall Australian Market decline of 0.8%;
- The Group Australian Stimulated Cycles market share decreased to 22.4% from 22.9% in pcp with the Group's Australian Patient Treatments[2] market share decreasing by 0.6% to 23.2%;
- As a result of a low cost competitor entering the Victorian ARS market our market share declined vs pcp, however this trend reversed for Monash IVF in Q4 recording a slight increase in market share, reflecting the resilience of our premium brand and services in a competitive market;
- Stable market share in Queensland and New South Wales;
- Capital expenditure of $6.6m with particular emphasis on maintaining our premium market position through clinic refurbishment, broadening in-house services and enhancing patient management systems;
- A stable balance sheet, delivering a Return on Equity of 18.6% pa; and
- Successful refinancing of total debt facility in June 2016 on more favourable terms generated interest savings of $1.3m in FY17 vs pcp.

Revenue

Group revenues declined by $1.4m (0.9%) to $155.2m compared to FY16. A summary of the decline in revenues is detailed in the waterfall chart below:



(1) Stimulated cycles exclude cancelled cycles
(2) Patient treatments include stimulated cycles, cancelled cycles and frozen embryo transfers

Revenue (continued)

The following details key movements in revenue:

- **Market Growth (ARS):** $2.6m or 1.7% revenue increase largely driven by Victoria and Queensland growth;

- **Market Share (ARS):** $5.1m or 3.3% revenue decline due to market share loss in:
    - Victoria: a sizeable proportion of market growth was likely attributable to growth in the low cost market, a market that Monash IVF does not participate in; and
    - South Australia: Low competitor pricing impacting market share;

- **Pricing (ARS):** $2.3m or 2.1% ARS revenue growth from price increases across all ARS service offerings;

- **International:** $0.1m revenue growth in the International segment from KL Fertility & Gynaecological Centre. This was driven by an 11.7% increase in Stimulated Cycles partly offset by unfavourable foreign exchange movements in MYR;

- **Other revenue:** $1.2m revenue decline impacted by lower income from low margin donor work, NSW ultrasound market decline as well as volume slippage from a key referrer.

Patient Treatments

IVF Treatment numbers	FY17	FY16	% Change
Monash IVF Group – Australia			
Stimulated cycles	8,902	9,190	(3.1%)
Cancelled cycles	968	1,092	(11.4%)
Frozen embryo transfers	6,194	6,396	(3.2%)
Total IVF Patient Treatments	**16,064**	**16,678**	**(3.7%)**
Monash IVF Group – International			
Stimulated cycles	689	617	11.7%
Cancelled cycles	54	67	(19.4%)
Frozen embryo transfers	603	539	11.9%
Total IVF Patient Treatments	**1,346**	**1,223**	**10.1%**
Total Monash Group			
Stimulated cycles	9,591	9,807	(2.2%)
Cancelled cycles	1,022	1,159	(11.8%)
Frozen embryo transfers	6,797	6,935	(2.0%)
Total IVF Patient Treatments	**17,410**	**17,901**	**(2.7%)**
Stimulated cycles as a % of Total Patient Treatments	55.1%	54.8%	
Other Treatment numbers	**FY17**	**FY16**	**% Change**
Ultrasound Scans	74,808	80,270	(6.8%)
Pre-implantation Genetic Screening/Diagnosis	1,750	1,783	(1.9%)
Non Invasive Prenatal Testing (NIPT)	9,834	9,071	8.4%

Patient Treatments (continued)

The Group's Australian Stimulated cycles declined by 3.1%. IVF Patient Treatments declined by 491 or 2.7% to 17,410 as Australian Patient Treatments declined by 3.7% partly offset by a 10.1% increase in International volumes. Cancelled cycles reduced by 11.8% as a result of more effective scientific protocol. International Stimulated Cycles increased by 11.7% reflecting continued strong growth in Kuala Lumpur with capacity increasing from the May 2017 relocation of the Clinic. International Frozen Embryo Transfers increased by 11.9% as the penetration of freeze all cycles increases as a result of change of scientific protocol.

Ultrasound scan volumes declined by 6.8%, however the rate of decline slowed significantly in 2H17 from 9% decline in 1H17. The decline is driven by lower Sydney Ultrasound for Women volumes as a result of the NSW market decline and volume slippage from a key referrer. This is partly offset by growth in the Monash Ultrasound for Women business in Melbourne. 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.

Expenditure before interest and tax

The table below provides a summary of FY17 Expenditure before interest and tax compared to FY16:

IVF Treatment numbers	FY17 $M	FY16 $M	% Change
Employee expenses	47.9	45.7	4.8%
Clinician fees	23.9	25.1	-4.8%
Raw materials and consumables used	13.1	14.4	-9.0%
Marketing and advertising expense	4.7	4.5	4.4%
IT and communications expense	2.6	2.6	0.0%
Property expenses	8.1	7.9	2.4%
Professional and other fees	2.8	3.0	-6.7%
Other costs	3.2	3.7	-13.5%
Total operating expenditure	**106.3**	**106.9**	**-0.6%**
% of Group revenues	68.4%	68.3%	
Depreciation and amortisation	4.4	4.2	4.8%
Total expenditure before interest and tax	**110.7**	**111.1**	**-0.4%**
% of Group revenues	71.3%	71.1%	

A strong focus on cost control during FY17 was reflected as the total FY17 operating expenditure reduced by 0.6% as compared to FY16. The following details key expenditure movements in FY17 against FY16:

- **Employee benefits expense** increased by $2.2m or 4.8%. The increase is due to general wage inflation, labour investment in scientific departments, higher expenditure in shared services including HR and IT, partly offset by lower short-term incentives;
- **Clinician fees** declined by $1.2m or 4.8%. The reduction was due to lower IVF and ultrasound activity as majority of clinicians are under fee-for-service arrangements whilst majority of sonologists are under fee sharing arrangements.
- **Raw material and consumables** decreased due to lower IVF and ultrasound activity whilst further reducing due to procurement activities and scientific and operational sharing of best practice across our clinic network;

Expenditure before interest and tax (continued)

- **Marketing and advertising expense** increased by $0.2m or 4.4% as greater investment was made into targeted branded marketing initiatives in Key Markets;
- **Property expenses** increased by $0.2m or 2.4% which is primarily due to annual rental increases across the clinic network;
- **Professional and other fees** decreased by $0.2m or 6.7% due to lower consulting expenditure during the year partly offset by $0.3m of legal costs associated with the Dr. Burmeister legal proceedings;
- **Other Costs** decreased by $0.5m or 13.5% due to lower transactional banking fees and general procurement benefits;
- **Depreciation and amortisation** increased by $0.2m or 4.8% primarily due to full year impact from new patient management system and part year impact from commissioning of in-house non-invasive pre-natal testing technology.

EBITDA declined by 1.2% whilst margins were relatively stable against prior year as the impact of the revenue decline was largely mitigated by effective cost management.

Net interest expense

Net finance costs reduced by $1.3m or 27.5% to $3.5m due to lower debt margins and reduced underlying interest rate.

Taxation

The effective tax rate has reduced to 28.0% compared to 29.1% in FY16. This is lower than the 30% corporate tax rate in Australia due to comparatively lower Malaysian tax rate (24%) and capturing the research and development tax incentives as we continue to invest in innovation.

Segment analysis

	Australia			International		
$m	FY17	FY16	% change	FY17	FY16	% change
Revenue	148.94	150.41	(1.0%)	6.24	6.16	1.3%
Reported EBITDA	46.46	47.16	(1.5%)	2.51	2.43	3.3%
NPAT	27.75	27.06	2.5%	1.87	1.72	8.7%

Australia

Australia revenues declined by $1.5m (-1.0%) to $148.9m vs prior year due to:

- 3.1% decline in IVF Stimulated Cycles in Australia as a result of soft market conditions against strong comparative volumes in FY16 and likely market share loss in certain markets due to low cost providers (Victoria and South Australia);
- 6.8% decline in ultrasound volumes, however the rate of decline slowed significantly in 2H17 from 9% decline in 1H17;
- Partly offset by price increases across all services provided.

Australia EBITDA decline of $0.7m (1.5%) to $46.5m with relatively stable EBITDA margins (31.2%) from effective cost management.

International

The International segment performed well notwithstanding capacity constraints which has been alleviated in May 2017 as the KL clinic relocated to a new state of the art clinic. International revenues increased by $0.1m (1.3%) to $6.3m vs pcp driven by:

Segment analysis (continued)

- ARS Patient Treatment growth of 10.1% to 1,346 as IVF Stimulated Cycles increased by 11.7% whilst frozen embryo transfers increased by 11.9%;
- Patient Treatment growth partly offset by weakening of MYR foreign exchange against AUD.

International EBITDA increased by 3.3% to $2.5m as a result of volume growth as well as EBITDA margin improvement by 90bp due to leverage impact from higher volumes.

Statement of financial position and Capital Metrics

Balance Sheet ($m)	Jun 17 $M	Jun 16 $M	% change
Cash and cash equivalents	3.5	8.5	(58.8%)
Other current assets	11.6	9.3	24.7%
Current liabilities	(25.0)	(36.1)	30.7%
Net working capital	**(9.9)**	**(18.3)**	**(45.9%)**
Borrowings	(95.5)	(95.0)	0.5%
Goodwill & Intangibles	254.7	254.0	0.3%
Property Plant & Equipment	16.8	15.2	10.5%
Other assets/liabilities	(2.5)	(1.0)	(150.0%)
Net assets	**163.5**	**154.9**	**5.6%**
Capital Metrics	**Jun 17**	**Jun 16**	**+/-**
Net Debt ($m)	**92.0**	**86.5**	**-5.5**
Leverage Ratio (Net Debt / EBITDA)	1.88x	1.75x	-0.13x
Interest Cover (EBITDA / Interest)	14.8x	11.8x	3.0x
Net Debt to Equity Ratio	56.3%	55.9%	0.4%
Return on Equity	18.6%	19.3%	-0.7%
Return on Assets	10.3%	10.1%	0.2%

The Group's balance sheet remains in a strong position with relatively stable capital management metrics and ratios including net debt to equity (56.3%), ROE (18.6%) and ROA (10.3%). Net debt increased by $5.5m to $92.0m after $20.7m dividend payments, $20.1m income tax payments and $6.6m capital expenditure.

As at 30 June 2017, $95.5m of the Syndicated Debt Facility is drawn with $59.5m debt capacity available including $40m accordion facility and $5m working capital facility. The Syndicated Debt Facility has a blended 3, 4 and 5 year maturity profile with tranche 1 due in July 2020. The Group has significant headroom in banking covenant ratios including leverage ratio of 1.88x (<3.50) and Interest cover ratio is 14.8x (>3.0).

Statement of cash flows

	Jun 17 $M	Jun 16 $M	Change%
Net operating cash flow (pre-tax)	**46.0**	**49.1**	**(6.3%)**
Net operating cash flow (post-tax)	**25.9**	**44.2**	**(41.4%)**
Cash flow from investing activities	(7.0)	(10.8)	(35.2%)
Cash flow from financing activities	(23.6)	(34.8)	(32.2%)
Net cash flow movement	(4.7)	(1.5)	(213.3%)
Closing cash balance	**3.5**	**8.5**	**(58.8%)**
Free cash flow [1]	18.9	33.4	(43.4%)

(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 and is not subject to audit or review. 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 93.9% (FY16: 99.1%). Pre-tax conversion was particularly strong in H2 at 103.5% which is comparable to 2H16.
- Net operating cash flow after tax is $18.3m lower than the prior year due to final payment of FY16 income tax ($9.5m) and transition to monthly tax instalment arrangements in FY17 (additional $5.6m);
- Investing activities include $6.6m capital expenditure comprising refurbishment of a key IVF clinic in Richmond Victoria, relocation to a new state of the art IVF clinic in KL, improvements to IT infrastructure including enhancements to the patient management system, commissioning of non-invasive pre-natal testing technology, and annual asset replacement program. In addition, an investment into an IVF joint venture in Hobart, Tasmania (Fertility Tasmania) was made for $525k; and
- Free cash flow declined by $14.5m predominately as a result of higher tax payments (noted above), partly offset by lower capital expenditure.

Dividends

On 21 August 2017, the Board declared a fully franked FY17 final dividend of 4.5 cents per share bringing total dividends for FY17 to 8.8 cents per share. This reflects an increase of 3.5% against prior year. The record date for the dividend is 7 September 2017 and the payment date for the dividend is 13 October 2017.

Outlook

We anticipate the reported FY18 NPAT will be broadly in line with FY17. We expect market growth initiatives, effective cost control, and well developed patient transition strategies, will offset any downside risk of a doctor departure in Victoria. 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 FY18.

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

- Strong underlying demand fundamentals for ARS 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.

Business Strategies and Prospects for Future Financial Years

The Group's strategy remains consistent and focused, to profitably grow our business through leveraging our scientific capabilities and scale across the clinic network both domestically and internationally. The key initiatives to deliver the profitable growth are outlined below:

Science, technology and patient success

The Group is responsible for significant industry advancements and this success and innovation continues to drive a culture of excellence and passion throughout the Group's network of clinicians and scientists. This ethos and capability enables the Group to continue to develop industry leading science and technology, deliver clinically superior services to existing and future patients and increase market penetration. The Group will continue to invest and expand its range of services offered to patients whilst improving its scientific and clinical practices. Additionally, the Group is focussed on investing in its people through development opportunities and training programs.

To ensure medical and commercial engagement across the growing network, two peak doctor committees continue to work effectively. The Group Medical Advisory Committee (GMAC) identifies and promulgates best in breed clinical processes and the Group Medical Executive Committee (GMEC) engages doctors in commercial decision making across the Group. These initiatives contribute to greater collaboration across the vast network and large group of specialists to ultimately aid scientific progress and sharing.

The Monash IVF Group Research and Education Foundation (MREF) combined its activities with the research team at Repromed and the University of Adelaide, to strengthen the research potential and capability across the Group. The alignment of the Group's world leading research teams reinforces and solidifies Monash IVF Group as a leader in scientific and clinical innovation driven by a philosophy of excellence in science.

Clinic expansion and acquisitions

The Group continues to identify and assess opportunities for clinic expansion both domestically and internationally. These opportunities are geared to increase the Group's scale and market position in women's health, including ARS and imaging services.

The Group is experiencing strong growth in Malaysia and subject to meeting our investment criteria, we are looking to build our international business, particularly in the Asian region, in the forthcoming years. The Group remains open to expansion through complementary and adjacent opportunities in the broader women's health sector.

Premium service model

The Group strategically positions the ARS and ultrasound offering as a specialised premium service. The Group is focussed on enhancing its premium offering which includes:

- Quality of science and breadth of service offerings;
- Reputation and availability of doctors;
- Best-of-breed scientists and embryologists;
- Location and accessibility of fertility clinics;
- Strong sales and marketing capability; and
- Strength of brand.

Opening of the new state of the art IVF clinic in KL as well as recent refurbishment of existing clinics complements our scientific excellence in providing our specialised premium service. During FY17, the Group transitioned the Mosman clinic in Sydney to a full service clinic as we focus on providing a breadth of service offering to patients. MyIVF in Brisbane, Queensland remains the sole lower

Business Strategies and Prospects for Future Financial Years (continued)
intervention "mid-priced" offering across the Group which remains a part of our strategy to understand the low cost/lower intervention non-premium market.

Business risks
The Monash IVF Group continually considers the benefits of implementing a risk management framework, all of which contributes to the increased likelihood that the Group will be able to achieve its organisational objectives. Accordingly, the Group has a risk management framework and has implemented systematic processes to:

- Better identify opportunities and threats;
- Prevention of potential risks from being realised;
- Reduction of the element of chance;
- Increased accountability and transparency for decisions;
- More effective allocation and use of resources;
- Improved incident management and reduction in loss and the cost of risk;
- Improved stakeholder confidence and trust;
- Improved compliance with relevant legislation and accreditation processes;
- Proactive rather than reactive management; and
- Enhanced governance.

The risk management framework together with the risk assessments and mitigation strategies are regularly reviewed both individually and collectively by the Senior Management Committee, the Audit and Risk Committee and the Board. A simple prioritisation system has been adopted to scale the relative importance of all the identified risks.

From review of the Group's key business, operational and financial risks, processes are in-place to reduce the inherent nature of these risks to an acceptable and manageable level. As a result, the Group does not have any 'high' priority residual risks. Notwithstanding this, the Group considers the below as important risks that require continued management to ensure the Group meets its objectives:

Relationships with staff in key roles, including clinicians
The relationships between Monash IVF Group, the staff and clinicians are key to our recruitment and retention strategies, ability to grow the businesses and replacement of retiring clinicians. The loss or disengagement of any clinicians or inability to attract new clinicians to the organisation would likely impact the revenue and profitability of the organisation.

As announced on 27 July 2017 to the ASX, Dr. Lynn Burmeister, a Victorian based fertility specialist, tendered her notice to discontinue practicing for the Group during FY17 with her notice period expiring on 11 September 2017. Under her restraint clause, Dr Burmeister cannot provide IVF services within 50 kilometres of Monash IVF's clinics in Hawthorn, Richmond and Clayton, for a period of twelve months from 11 September 2017.

There are similar risks to the organisation relating to the departure or disengagement of the Executive and Leadership Teams and staff in key roles, defined by regulatory requirements. Comprehensive training and development programs, competitive remuneration frameworks, commitment to patient centred care and opportunities to participate in world class research activities all contribute to attracting and retaining the very best talent in the industry.

Business Strategies and Prospects for Future Financial Years (continued)

As announced to the Australian Stock Exchange on 12 May 2017, Managing Director and CEO, James Thiedeman tendered his resignation and will work through the applicable six-month notice period. During this time, Mr. Thiedeman will support the business and is working with the Board to ensure a smooth transition to the new Managing Director and CEO.

Change in Government funding arrangements for Assisted Reproductive Services

There is a risk that the Commonwealth Government will change the funding (including levels, conditions or eligibility requirements) it provides for Assisted Reproductive Services (ARS). Patients receive partial re-imbursement for ARS treatment through Commonwealth Government Programs, including the Medicare Benefit Schedule (MBS) and Extended Medicare Safety Net (EMSN). If the level of re-imbursement were to be reduced or capped, patients would face higher out-of-pocket expenses for ARS potentially reducing the demand for services provided by the Group. The Group is not aware of any changes to Commonwealth Government funding for ARS in the short to medium term.

Risk of increased competition

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

- Existing competitors may undertake aggressive marketing campaigns, product innovation or price discounting;
- New competitors may launch fertility treatments, including ARS; and
- Low cost offerings provided by competitors, reducing the Group's market share.

During FY17, the Group has experienced ARS low cost competition with competitors entering in or ramping up operations in VIC, QLD and SA. The Group continues to strategically position the ARS service as a specialised premium offering as a point of differentiation against low cost competitors as outlined in the Business Strategies and Prospects for Future Financial Years sections in the Director Report on pages 10-11.

Matters subsequent to the end of the financial year

On 21 August 2017, a fully franked final dividend of 4.5 cents per share was declared. The record date for the dividend is 7 September 2017 and the payment date for the dividend is 13 October 2017.

As announced on 27 July 2017 to the ASX, the Group and Dr. Lynn Burmeister agreed to resolve all issues in dispute between them. This includes proceedings in the Supreme Court of New South Wales and the Supreme Court of Victoria.

Except as disclosed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or 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.

Information on directors

Director	Experience
Mr Richard Davis Independent Chairman Member of Audit & Risk Management Committee Member of Remuneration & Nomination Committee	Mr. Richard Davis joined the Group in June 2014 and is currently serving as a non-executive director of ASX listed companies, InvoCare Limited and Australian Vintage Limited (and Chairman of Australian Vintage). Richard worked for InvoCare for 20 years until 2008. For the majority of that time he held the position of CEO and managed the growth of that business through a number of ownership changes and over 20 acquisitions, including offshore in Singapore. Prior to InvoCare Limited, Richard worked in venture capital and as an accounting partner of Bird Cameron. Richard holds a Bachelor of Economics from the University of Sydney.
Mr Josef Czyzewski Independent Non-executive Director Chair of Audit & Risk Management Committee Member of Remuneration & Nomination Committee	Mr. Josef Czyzewski joined the Group in June 2014 and has over 30 years of experience in senior finance positions and significant experience in the health industry. Josef has held the positions of CFO at Healthscope Limited, and more recently CFO/General Manager Strategy and Development at Spotless Group Limited following its takeover by private equity interests in 2012. Josef has held various senior finance positions with BHP Billiton and served as a non-executive chairman of CSG Limited. He holds a Bachelor of Commerce from the University of Newcastle and is a Graduate Member of the Australian Institute of Company Directors.
Ms Christina ('Christy') Boyce Independent Non-executive Director Chair of Remuneration & Nomination Committee Member of Audit & Risk Management Committee	Ms Christy Boyce joined the Group in June 2014. Christy is also a director of Port Jackson Partners and a non-executive director of ASX listed companies, Greencross Limited and Oneview Healthcare. Christy has over 20 years of management consulting experience in both Australia and the United States and has worked extensively with major corporations on corporate strategy. Prior to joining Port Jackson Partners, Christy spent 14 years with McKinsey and Company, where she was a partner. She holds a Bachelor of Economics from the University of Sydney, a Masters of Management from the Kellogg Graduate School of Business (Northwestern University) and is a Graduate Member of the Australian Institute of Company Directors.
Mr Neil Broekhuizen Independent Non-executive Director Member of Audit & Risk Management Committee	Mr. Neil Broekhuizen is the Joint Chief Executive Officer of Ironbridge. Neil has 24 years of private equity experience with Investcorp and Bridgepoint in Europe and Ironbridge in Australia. Neil has sat on the Ironbridge Investment Committee since inception and also represents the Ironbridge Funds on the Board of Bravura Solutions. Neil is qualified as a Chartered Accountant and holds a BSC (Eng) Honours degree from Imperial College, University of London.
Ms Zita Peach Independent Non-executive Director Member of Remuneration & Nomination Committee	Ms Zita Peach joined the Group in October 2016. Zita is also a non-executive director of ASX listed companies, Starpharma Holdings Limited, AirXpanders Inc, Visioneering Technologies Inc and Pacific Smiles Group Limited. At leading global healthcare company Fresenius Kabi, Zita was Executive Vice President for South Asia Pacific, Managing Director for Australia and New Zealand and Chair of the Boards for Singapore, Malaysia, Australia and New Zealand. Zita was Vice President of Business Development at CSL Limited and has an extensive track record in M&A deals, licensing and commercializing/marketing products and technologies on a global scale. Zita holds a Bachelor of Science from the University of Melbourne. She is also a Fellow of the Australian Marketing Institute and a graduate of the Australian Institute of Company Directors.
Mr Benjamin ('James') Thiedeman Chief Executive Officer Managing Director	Mr James Thiedeman joined the Group in 2009. James has spent more than 25 years working in healthcare in both the public and private sectors. Prior to joining the Group, he was the CEO of Noosa Private Hospital on Queensland's Sunshine Coast and has held senior roles with Ramsay Health Care, Affinity Health, Mayne Health and Health Care of Australia. Before moving to the private health industry, James held senior policy and planning positions in the public sector. James holds a Bachelor of Business (Health Administration) from the Queensland University of Technology, an MBA from Griffith University and is a Member of the Australian Institute of Company Directors.
Dr Richard Henshaw Executive Director	Dr Richard Henshaw MD FRANZCOG FRCOG has practiced in the field of reproductive medicine since 1995. Richard works as a Fertility Specialist for the Group and is the Medical Director of Repromed SA, Repromed NT and Hobart IVF. Richard has served on many national bodies, including RANZCOG Council, the IVF Medical Directors group of Australia and New Zealand, and the Reproductive Technology Accreditation Committee.

Company Secretary

Mr Michael Knaap was appointed to the role of Group Chief Financial Officer (CFO) and Company Secretary on 31 August 2015. Michael has more than 15 years' experience in senior finance executive roles in the FMCG sector in both listed and unlisted organisations. Michael's role prior to joining Monash IVF Group was with Patties Foods Limited where he held a number of executive positions in 6 years, including the role of CFO and Company Secretary. Michael holds a Bachelor of Accounting from Monash University and is a Certified Practising Accountant.

Director meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

	Attended	Held
Mr Richard Davis (Chair)	12	12
Mr Josef Czyzewski	12	12
Ms Christy Boyce	12	12
Ms Zita Peach	8	9(1)
Mr Neil Broekhuizen	10	12
Dr Richard Henshaw	12	12
Mr Benjamin ('James') Thiedeman	12	12

(1) Zita Peach was appointed as a non-executive director on 12 October 2016

The Board of Directors participated in numerous teleconferences in addition to the above formal Board meetings.

The Company's Directors present the 2017 Remuneration Report prepared in accordance with Section 300A of the *Corporations Act 2001*, for the Company and the Group for the year ending 30 June 2017 ("FY17"). The information provided in this Remuneration Report has been audited by KPMG as required by Section 308(3C) of the *Corporations Act 2001*. The Remuneration Report forms part of the Directors' Report.

The Remuneration Report outlines the remuneration strategies and arrangements for the Key Management Personnel (KMP), who have authority and responsibility for planning, directing and controlling the activities of Monash IVF.

Introduction

Over the course of FY17 Monash IVF has continued its focus on delivering strong earnings growth through leveraging our scientific technology and patient success across our premium clinic networks. Exploring organic and acquisitive expansion both domestically and internationally have been a key driver of strategic initiatives within FY17.

The Monash IVF Remuneration framework is focused on driving performance culture and linking Executive Remuneration to strategic objectives both financial and non-financial. The Board believes the Company's success depends on the performance of all employees. The structure of remuneration, particularly at the Senior Executive level, is a key component in driving positive clinical performance improvement as well as acquisitive growth via expansion of the organisational footprint both domestically and internationally. Executive Remuneration is set at levels which are competitive with Executives in comparable companies and roles.

The Board varies rewards to Management in accordance with short and long term financial and clinical performance. Fixed remuneration continues to sit at or below the industry benchmark; a higher proportion of remuneration is at risk relative to industry peers.

Key remuneration changes implemented in FY17 include an increase in the CEO's salary of approximately 20% versus FY16, to better align Total Fixed Remuneration (TFR) with peer comparators given it was significantly below market median. This adjustment included a reduction in at risk STI from 75% to 65% of TFR. It is also noted that the CEO advised of his resignation on 12 May 2017 and he is expected to serve out his 6 month notice period. A recruitment process is currently underway.

The remainder of this report outlines the Company's policy and practice in greater detail.

1.0 Remuneration Snapshot

1.1 Remuneration Governance

The Board is ultimately responsible for remuneration decisions. To assist the Board's governance and oversight of remuneration, this is delegated to the Remuneration and Nomination Committee (Committee). Under the Remuneration and Nomination Committee charter, it must have at least three members, the majority of whom (including the Chair) must be independent Directors and all of whom must be non-executive Directors.

The Committee is composed of four independent directors and is chaired by Ms Christina Boyce. Ms Boyce was appointed Chair of the Remuneration and Nomination Committee on 4 June 2014. Mr Davis and Mr Czyzewski were appointed on 4 June 2014 and Ms Peach was appointed on 16 December 2016, following her appointment to the Board on 12 October 2016.

1.1 Remuneration Governance (continued)

During FY17, the Remuneration and Nomination Committee met four times with full attendance by all members. The Remuneration and Nomination Committee may invite the CEO, CFO/Company Secretary and Group Human Resources Manager to attend Committee meetings to assist in deliberations (excluding matters relating to their own employment).

From time to time, the Remuneration and Nomination Committee seeks independent external advice on the appropriateness of the remuneration framework and remuneration arrangements. No recommendations as defined in section 9B of the Corporations Act were received in FY17. The Committee is responsible for reviewing and making recommendations to the Board with respect to the following issues:

- Executive recruitment, retention and termination policies and other employee benefits;
- Appropriate remuneration of senior executives and executive Directors, including the structure and payment of Short Term Incentives ("STI") and Long Term Incentives ("LTI"), including equity based plans;
- Senior executive and executive director performance evaluation;
- Senior executive and executive director succession planning;
- Structure of LTI plan offered to Fertility Specialists;
- Composition, size, diversity and expertise of the Board and its sub-committees (Audit & Risk and Remuneration & Nominations);
- Evaluation of Director, Board and Board sub-committee performance;
- Board and Director succession planning, nominations and development;
- Transparent disclosure of the Company's remuneration policies and requirements; and
- The company's superannuation arrangements.

The Remuneration and Nomination Committee Charter is available on the Company's website at http://ir.monashivfgroup.com.au/Investor-Centre/?page=Corporate-Governance. The Charter is reviewed annually and was last reviewed in May 2017. Further information on the Remuneration and Nomination Committee is provided in the Corporate Governance Statement in this Annual Report.

1.2 Principles used to determine the nature and amount of remuneration

The executive remuneration framework is designed to:

- Assist in attracting and retaining exceptional people, rewarding capability and experience;
- Focus management on both financial and non-financial drivers of economic value;
- Align management incentives with long term value creation for shareholders;
- Vary remuneration realised with performance and shareholder returns;
- Allow clear and transparent disclosure of remuneration arrangements of relevant employees to the market;
- Control for market and operational risk appropriate for the required shareholder returns; and
- Provide fair and consistent remuneration across the Group consistent with corporate values and principles.

The Group's performance metrics on which pay can be varied support:

- Continued profitable development and expansion of the business;
- Delivery of safe, high quality clinical care for its patients;
- Maintenance of a safe working environment for its people; and
- Effective and appropriate engagement with Government and regulatory bodies.

2.0 Remuneration Policy

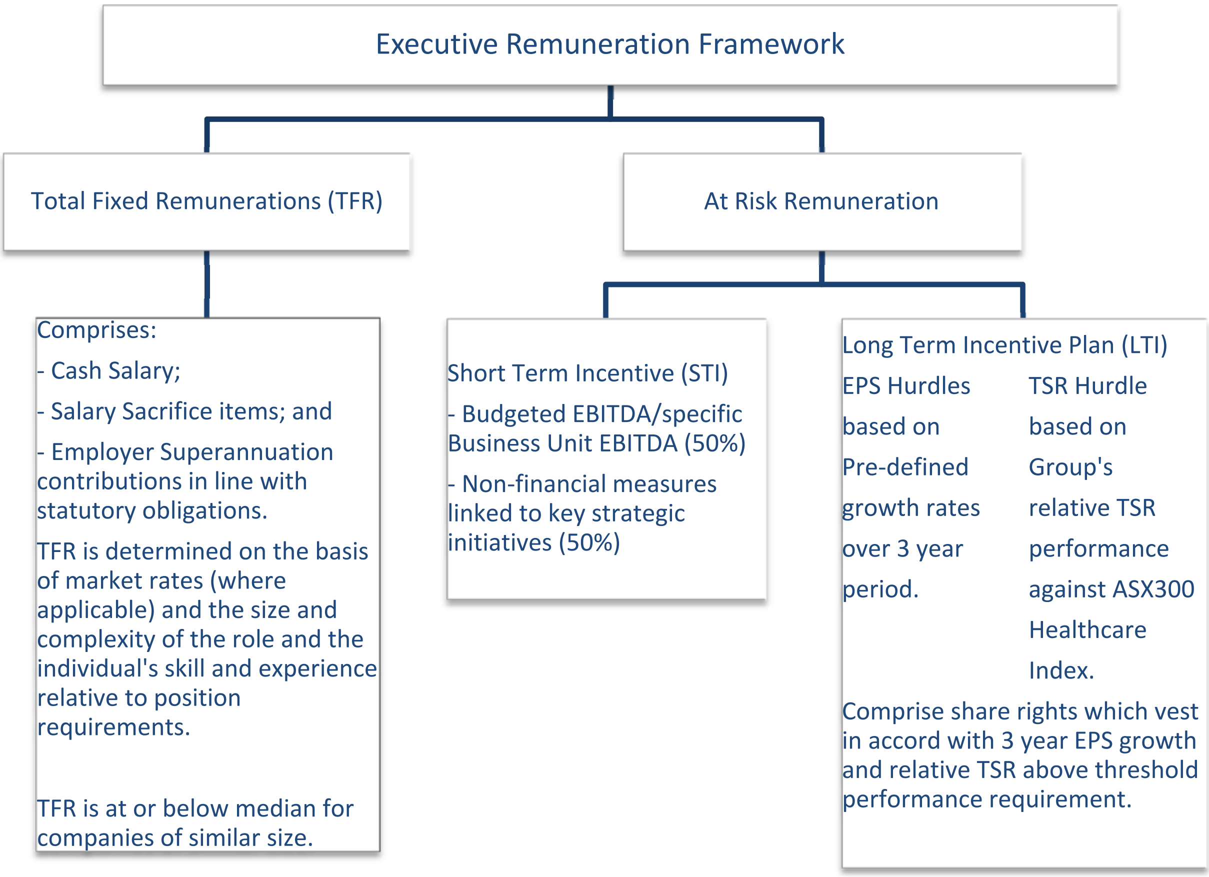
2.1 Executive remuneration policy

For the majority of senior executives, total remuneration consists of:

- Total fixed remuneration (TFR) including base pay, superannuation and leave entitlements;
- Short term incentives;
- Long term incentives.

The Group's remuneration framework for FY17 for the CEO and CFO has three components, two of which vary with performance. TFR levels sit at or below industry benchmarks. A higher proportion of remuneration is at risk relative to peers. The remuneration structure is designed so that there is a remuneration opportunity that varies with the level of position accountability.

The diagram below summarises the framework for FY17. The framework continues to be reviewed each year.



Total fixed annual remuneration

Total fixed remuneration (TFR) consists of base remuneration (which is calculated on a total cost basis) as well as non-monetary benefits and superannuation.

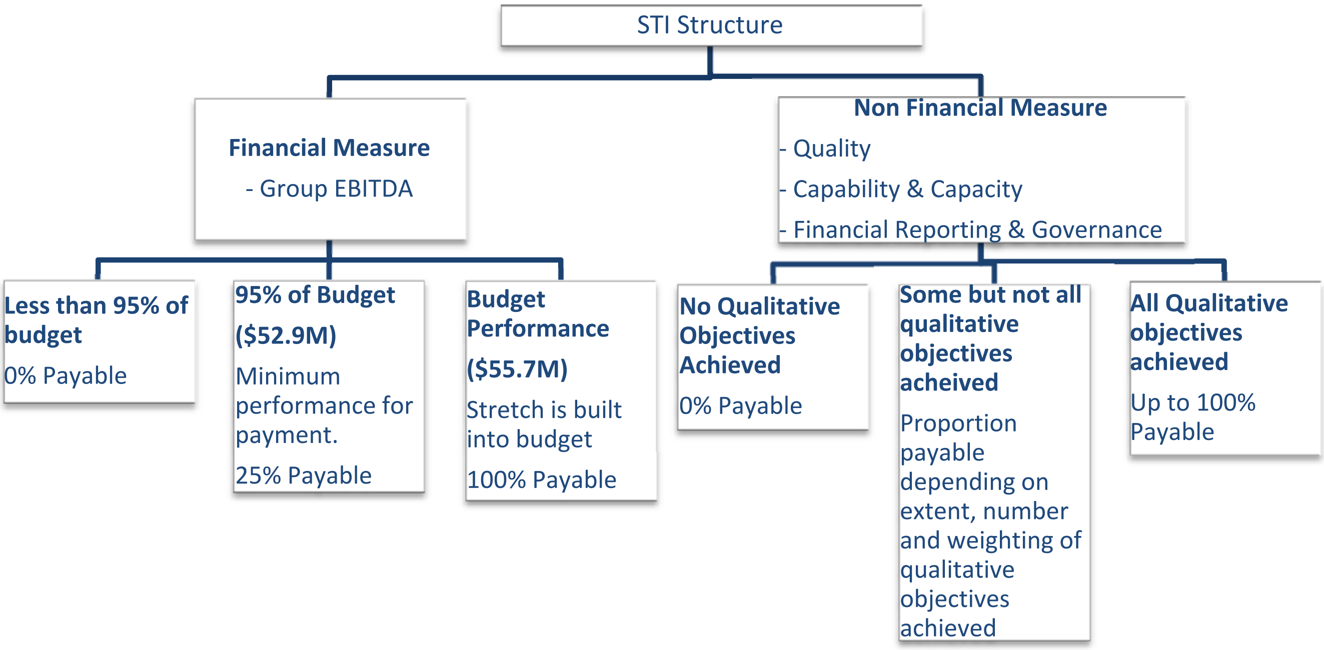
TFR levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers market rates and individual experience in the position. TFR is also reviewed on promotion. There are no guaranteed increases in base pay or superannuation included in executive contracts.

2.1 Executive remuneration policy (continued)

KMP TFR sits at or below median level for ASX listed companies of similar size (based on a market capital of $375M - $500M).

Short-term incentives

Overview of FY17 Short term incentive plan:



Executive KMP are eligible to receive an STI payment.

The Group's STI is an incentive to focus on Board prioritised requirements for the financial year. It focuses on a financial measure for up to 50% of the maximum payable, and key non-financial measures for the other 50%.

The financial measure is Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA is compared to budget EBITDA to assess achievement. EBITDA may be normalised by adjustment for any amounts in respect of the period for individually significant, non-recurring, abnormal or unusual gains or losses of the Group. The amount allocated for EBITDA achievement is 50% of the maximum STI. Threshold performance is 95% of budget or $52.9m which is equivalent to 6.8% growth on prior year and is broadly in line with analyst consensus post the FY2016 result announcement. At this level, 25% of the amount allocated for EBITDA achievement is payable. Maximum EBITDA performance is set at 100% or more of a stretch budget, at which the entire amount allocated for EBITDA is payable. Achievement between these two levels of performance results in a pro-rata payment of STI.

The CEO had 6 non-financial objectives, including strategic objective setting, doctor relationships and clinical management, financial management including investor relations, executive team management and development, risk management and Board communications. Each criteria was broken down into 4-5 critical outcomes and performance assessed by each independent Board member. The CFO's non-financial performance was evaluated with respect to effective development of a strategic long-term plan, successful establishment of an international business development function, effective debt

2.1 Executive remuneration policy (continued)

management including a reduction in borrowing costs, establishment of an effective outsourced internal audit function and development of the company's risk management processes. Each objective has a weighting which sums to 50% of the maximum STI. The amount of STI paid for the non-financial objectives is the sum of weightings for the objectives achieved in part or in full.

The STI is a variable component of remuneration. Achievement of the STI plan fluctuates widely overtime. Since listing the CEO has achieved 0% (FY15), 87% (FY16), and 15% (FY17).

Long-term incentive plan

Executive KMP are eligible to receive an LTI grant. Fertility Specialists are eligible to participate in the Fertility Specialist LTI.

Mr James Thiedeman (CEO) and Michael Knaap (CFO) are eligible to participate in the Senior Executive LTI Plan.

Grants under both Plans are subject to the following conditions:

- The invitations issued to eligible persons will include information such as award conditions and, upon acceptance of an invitation, the Directors will grant awards in the name of the eligible person. Awards may not be transferred, assigned or otherwise dealt with except with the approval of the Directors.
- Awards will only vest where the conditions advised to the participant by the Directors have been satisfied. An unvested award will lapse in a number of circumstances, including where conditions are not satisfied within the relevant time period, or in the opinion of the Directors, a participant has committed an act of fraud or misconduct or gross dereliction of duty. If a participant's engagement with the Company (or one of its subsidiaries) terminates before an award has vested, the Directors may determine the extent to which the unvested awards that have not lapsed will become vested awards or, if the award offer does not so provide and the Board does not decide otherwise, the unvested awards will automatically lapse.
- Awards are subject to malus and clawback conditions whereby the Board may, in its discretion, and subject to applicable laws, determine the performance rights or shares already allocated following the vesting or exercise of a performance right are forfeited, recovered or the conditions modified. The Board's decision in regards to unfair benefits obtained by the participant is final and binding.
- Where there is a takeover bid or a scheme of arrangement proposed in relation to the Company, the Directors may determine that the participant's unvested awards will become vested awards. In such circumstances, the Directors shall promptly notify each participant in writing that the awards have become vested awards, or that he or she may, within the time period specified in the notice and where applicable in accordance with the class or category of award, exercise such vested awards. A participant is not entitled to participate, in their capacity as holder of awards, in any new issue of shares in the Company, nor in any return of capital, buyback or other distribution or payment to shareholders, unless the Board determines otherwise. In the event of a bonus issue or rights issue, the rights of the award will be altered in a manner (if any) determined by the Board, consistent with the ASX Listing Rules.
- In the event of any reorganisation of the issued ordinary capital of the Company before the exercise of an award, the number of shares attached to each award will be reorganised in the manner specified in the LTI plan and in accordance with the ASX Listing Rules or, if the manner is not specified, the Board will determine the reorganisation. In any event, the

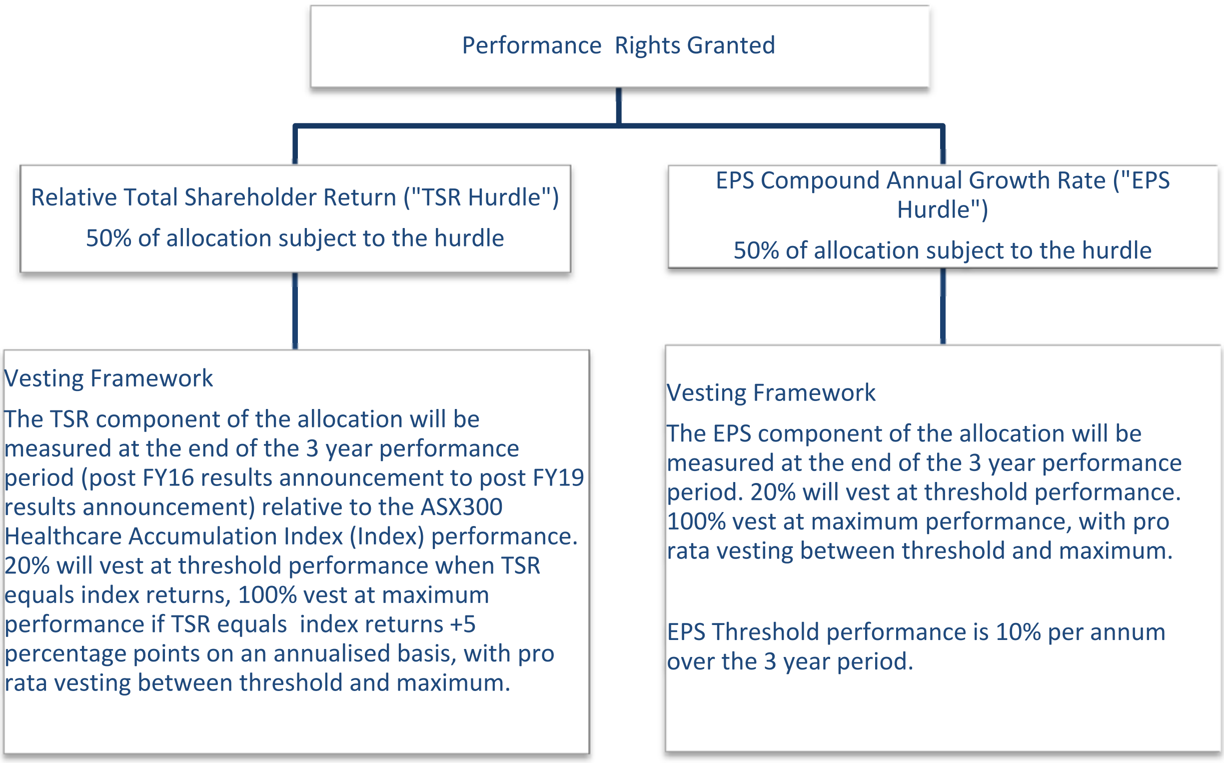
2.1 Executive remuneration policy (continued)

reorganisation will not result in any additional benefits being conferred on participants which are not conferred on shareholders of the Company.

- Participants who hold an award issued pursuant to the LTI plan have no rights to vote any shares under the LTI award at meetings of the Company until that award has vested (and is exercised, if applicable) and the participant is the holder of a valid share in the Company. Shares acquired upon vesting of the award will, upon issue, rank equally in all respects with other shares.
- No award or share may be offered under the LTI plan if to do so would contravene the Corporations Act, the ASX Listing Rules or instruments of relief issued by ASIC from time to time.

Senior Executive LTI

Overview of FY17 Senior Executive LTI:



Performance Rights Granted

Senior Executive LTI – FY17

The LTI plan is a performance rights plan with vesting rights dependent upon the satisfaction of pre-defined performance hurdles and continuous employment. As indicated in the last remuneration report, LTI grants will be issued on a rolling annual basis. This ensures executives maintain a continuous focus on sustainable long term growth and returns, and provides an appropriate balance to the focus on annual results demanded by the STI.

The CEO and CFO were granted 104,646 and 38,893 performance rights respectively. The CEO has forfeited these performance rights given his resignation.

The performance period for these rights is 3 years from 1 July 2016 to 30 June 2019 for EPS and 1 day after FY16 results announcement to 1 day after FY19 results announcement.

2.1 Executive remuneration policy (continued)

The executives did not pay any money to be granted those performance rights. The expiry date of the rights will be on the fifth anniversary of their grant.

These performance rights were granted in two tranches, with each tranche subject to separate vesting conditions based upon external measures as follows:

Earnings Per Share. The hurdle for 50% of the rights is based on earnings per share hurdle which measures the compound growth of the Company's basic earnings per share ('EPS') over a three year period from 1 July 2016 to 30 June 2019. The inclusion of EPS in the FY17 LTI reflects the company's focus on profitable growth both organically and through acquisition whether domestically on internationally. Basic EPS is subject to audit applying the requirements of Australian Accounting Standard AASB 133. The base EPS is the FY2016 EPS of 12.2c. No vesting occurs up to a threshold level of EPS growth of 10% per annum. 20% will vest at threshold performance, 100% will vest at maximum performance, with pro rata vesting between threshold and maximum.

The target and threshold hurdle are set with reference to the Board's expectations of long term growth and the forward market consensus. In FY17 EPS performance requirements were set to encourage executive KMP's in the undertaking of judicious merger and acquisition to expand Monash's footprint domestically and internationally. Further details of EPS growth requirements and the proportion of the grants that vest (if any) will be disclosed in FY2019.

Relative Total Shareholder Return. The hurdle for the other 50% of the rights is based on the Company's total shareholder return ('TSR') relative to the ASX300 Healthcare Accumulation Index (Index) from 1 July 2016 to 30 June 2019. The inclusion of relative TSR in the FY17 LTI helps align Management and shareholder outcomes. In respect of this tranche, no performance rights will vest if the TSR performance is less than the Index performance. 20% will vest at threshold performance when TSR equals Index returns, 100% vest at maximum performance if TSR equals Index returns +5 percentage points on an annualised basis, with pro rata vesting between threshold and maximum.

TSR 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. In FY16 the Board has redefined the TSR reference peer group to the Index as it is considered a more transparent and readily available measure, whilst including an increased range of companies with similar business characteristics to the Company.

The graduated vesting scale in the senior executive LTI plan was designed to minimise the likelihood of excessive risk taking as a performance threshold is approached.

The Board believes this vesting framework strengthens the performance link over the long-term and accordingly encourages executives to focus on long-term performance. The Board also acknowledges that the value of certain strategic initiatives may take several years to deliver.

Senior Executive LTI Grant – FY16

The CEO and CFO were granted 163,425 and 70,144 performance rights respectively. In relation to the FY16 LTI, the CEO will not be eligible for this award given his resignation. These performance rights were granted in two tranches, with each tranche subject to separate vesting conditions based upon external measures as follows:

2.1 Executive remuneration policy (continued)

Earnings Per Share. The hurdle for 50% of the rights is based on earnings per share hurdle which measures the compound growth of the Company's basic earnings per share ('EPS') over a three year period from 1 July 2015 to 30 June 2018. Basic EPS is subject to audit applying the requirements of Australian Accounting Standard AASB 133. The base EPS is the FY2015 EPS of 9.2c. No vesting occurs up to a threshold level of EPS growth of 10% per annum. 20% will vest at threshold performance, 100% will vest at maximum performance, with pro rata vesting between threshold and maximum. Further details of EPS growth requirements and the proportion of the grants that vest (if any) will be disclosed in FY2019.

Relative Total Shareholder Return. The hurdle for the other 50% of the rights is based on the Company's total shareholder return ('TSR') relative to the ASX300 Healthcare Accumulation Index (Index) measured from the 11th trading day after FY15 results announced to the 11th trading day after FY18 results announced. In respect of this tranche, no performance rights will vest if the TSR performance is less than the Index performance. 20% will vest at threshold performance when TSR equals Index returns, 100% vest at maximum performance if TSR equals Index returns +5 percentage points on an annualised basis, with pro rata vesting between threshold and maximum.

TSR 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.

Senior Executive LTI Grant – FY15

Options were granted to the CEO of 800,000 and the former CFO of 200,000 on 30 July 2014. The CEO remains eligible for this award, given he remained employed at 30 July 2017. The key terms and conditions attached to that grant of options are set out below:

These options were granted in two tranches, with each tranche subject to separate vesting conditions based upon external measures as follows:

Earnings Per Share. The hurdle for 50% of the options is based on an earnings per share hurdle which measures the compound growth in the Company's earnings per share ('EPS') growth over a three year period. No vesting occurs up to a threshold level of EPS growth of 8% per annum and then vests directly proportionally between the threshold and a maximum of 10% p.a. As a result of CAGR EPS Growth of 8.7% delivered over the 3 year term, 35% of CEO 400,000 options associated with the EPS tranche will vest.

Relative Total Shareholder Return. The hurdle for the other 50% of the options is 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 the 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 with reference to the Monash IVF Group IPO price ($1.85) on 26 June 2014 versus the ten day Volume Weighted Average Price (VWAP), adjusted for dividends and capital movements post 30 July 2017. This is compared to the share price performance of the peer group similarly adjusted for dividends and capital movements from the ten day VWAP post 30 July 2014 to the ten day VWAP post 30 July 2017. The opening price applied for Healthscope Limited, a member of the peer group, is $2.10 being its quoted IPO listing price on 28 July 2014.

2.1 Executive remuneration policy (continued)

Doctors LTI Programme

The Remuneration and Nomination Committee implemented an LTI plan for Fertility Specialists, including those considered KMP executives, in FY2016. The plan is designed to recognise and reward the ongoing contribution from our clinicians. Dr Richard Henshaw, an Executive Director, will not be eligible to participate in the Fertility Specialist LTI given he does not meet the eligibility criteria of being a fee for service fertility specialist.

The Doctors LTI has two tranches subject to independent performance requirements:
1. A Practice Development Award; and
2. A Key Doctor Award.

Participation is subject to a number of qualitative criteria aligned with the patient experience and clinical excellence. Both tranches also require growth in the number of Stimulated Cycles [1] above a threshold requirement.

The Practice Development Award recognises the consistent development of a fertility specialist's practice at above industry growth rates. The Practice Development Award is calculated based on the annual average number of "Growth Cycles" they perform in year 1 and maintain over the subsequent two years. Growth Cycles reflect growth over and above the long term industry average. The payment will be paid in the form of 50% cash and 50% MVF shares. Any share allocated will be subject to escrow conditions applicable to current holdings (see section 4.1 in Financial Report).

> **The Practice Development Award** will vest on the final day of the Growth Maintenance Period being 30 June 2019, subject to the eligible Doctor remaining contracted to MVF at the end of the vesting period which is when the number of Stimulated Cycles have been audited after the close of FY2019. This plan is an annual plan and was also offered in FY16.
>
> **The Key Doctor Award** was introduced in FY16 and recognises the significant contribution of key fee-for-service fertility specialists and their commitment to the development of Monash IVF. It is a reward and retention device. It is calculated based on the total number of Stimulated Cycles achieved over a base level of 250 fresh cycles. The performance period is 4 years. The volume must be attained after the first year (FY2016), and be maintained for a further 3 years (FY2017 – FY2019). The Board anticipates offering this plan every 3 years.

The Award Payment will be paid in the form of 50% cash and 50% MVF shares. The Board has the discretion to decide to pay the total Award Payment as cash. Any share allocated will be subject to similar escrow conditions as current holdings (see section 4.1 in Financial Report). The Key Doctor Award will vest post the final day of the Growth Maintenance Period being 30 June 2019, provided the eligible Doctor remains contracted to MVF at the end of the vesting period.

2.2 Non-Executive Director (NED) Remuneration Policy

Under the Constitution, the Directors decide the total amount paid to all Directors as remuneration for their services as Directors. However, under the ASX Listing Rules, the total amount paid to all Directors for their services must not exceed in aggregate in any financial year, the amount fixed by the Company in a general meeting. This amount has been fixed by the Company at $750,000. For the 2017 financial year, the fees payable to the current NEDs are $526,000 in aggregate.

[1] Stimulated cycles include 13200 and 13201 Medicare Item codes

2.2 Non-Executive Director (NED) Remuneration Policy (Continued)

Role	2017 ($)	2016 ($)
Base Fees		
Chair	135,000	130,000
Other Non-Executive Directors	84,000	80,000
Additional Fees		
Audit & Risk Committee – Chair	16,000	15,000
Audit & Risk Committee – Member	8,000	7,500
Remuneration & Nomination Committee – Chair	16,000	10,000
Remuneration & Nomination Committee – Member	8,000	5,000

The Board determined that Non-Executive Director fees will increase by 3% in FY18, effective 1 July 2017.

3.0 Executive and Non-executive Remuneration

3.1 Remuneration Summary

The Executive Remuneration outcomes for FY17 for the CEO and KMP Executives reflect the performance outcomes achieved over the year.

Executive	Component	Commentary
CEO	Fixed Remuneration	$484,635 per annum (Effective 4 July 2016). This reflects an increase of approximately 20% versus FY16 reflecting the Boards' decision to adjust CEO fixed salary closer to the median. This adjustment was made due to TFR significantly below market median compared to ASX listed companies of similar size. TFR is still slightly below market median.
	Short Term Incentives	The CEO has the opportunity to earn an annual incentive of 65% (versus 75% in FY16) of his fixed remuneration package based on meeting defined criteria. The FY17 STI criteria were subject to both Financial (50%) and non-financial (50%) outcomes. EBITDA was the sole financial criteria, the threshold for achievement was $52.9M and the stretch for achievement was $55.7M. Non Financial measures included Strategy (8.33%), Financial management including investor relations (8.33%), Executive team management & development (8.33%), Risk management (8.33%) and Board communication & performance (8.33%) Doctor relationship & clinical management (8.33%). Given that the hurdle of EBITDA was not achieved 0% of Financial component was payable. 31% of Non-Financial was payable. Therefore 15% of overall STI opportunity was payable.
	Long Term Incentives – Performance Rights	104,646 were granted to the CEO during FY17. These rights vest at the end of the 3 year performance period. However the CEO will forfeit these performance rights due to his resignation.
	Notice Period	6 Months
	Term of Agreement	No Fixed Term

CFO	Fixed Remuneration	$360,238 per annum (Effective 4 July 2016). This is at market median comparable to companies of comparable size.
	Short Term Incentives	The CFO has the opportunity to earn an annual incentive up to 30% of his fixed remuneration package based on meeting certain defined criteria. The FY17 STI criteria were subject to both financial (50%) and non financial (50%) outcomes. EBITDA was the sole financial criteria, the threshold for achievement was $52.9M and the stretch for achievement was $55.7M. Non financial measures include Financial Reporting & Governance (30%); including Managing Risk, Audit Management and Strategic Financial Modelling; Capability & Capacity (20%); including Debt Management and International Business Development Framework. Given that the hurdle of EBITDA was not achieved, 0% of Financial was payable. 100% of Non-Financial component was achieved therefore 50% of overall STI opportunity was payable.
	Long Term Incentives – Performance Rights	38,893 were granted to the CFO during FY17. These rights vest at the end of the 3 year performance period, subject to meeting certain EPS and TSR outcomes. No rights were eligible to vest during FY17.
	Notice Period	3 Months
	Term of Agreement	No Fixed Term

The following table shows the proportional weighting of each element of remuneration for each of the senior executives based on achieving maximum opportunity:

	Fixed Remuneration (%)	Short Term Incentive (%)	Long Term Incentive (%)
James Thiedeman	46.5%	30.2%	23.3%
Michael Knaap	64.5%	19.4%	16.1%
Richard Henshaw	100%	Nil	Nil

3.2 Details of remuneration for Key Management Personnel

Key Management Personnel ("KMP")

KMP have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors of the Company and other executives. KMP comprise the directors of the Company and the senior executives for the Group named in this report.

Name	Position	Period Covered Under this Report
Non-executive Directors		
Mr Richard Davis	Non-executive Chairman	Full Financial Year
Ms Christina Boyce	Non-executive Director	Full Financial Year
Mr Josef Czyzewski	Non-executive Director	Full Financial Year
Mr Neil Broekhuizen	Non-executive Director	Full Financial Year
Ms Zita Peach	Non-executive Director	From 12 October 2016 to 30 June 2017
Executive Directors		
Mr James Thiedeman	Chief Executive Officer	Full Financial Year
Dr Richard Henshaw	Executive Director	Full Financial Year
Other KMP		
Mr Michael Knaap	Chief Financial Officer & Company Secretary	Full Financial Year

The following tables show details of the remuneration received by the Group's KMP for the current and prior financial years.

2017

	Short term employee benefits				Post employment Benefits			Share Based payments	
	Salary & fees $	STI Cash bonus $	Non-monetary benefits $	Total $	Superannuation benefit $	Other long term benefits $	Termination benefits $	Rights $	Total $
Non-executive Directors									
Mr Richard Davis	137,904	-	-	137,904	13,101	-	-	-	151,005
Mr Josef Czyzewski	98,628	-	-	98,628	9,370	-	-	-	107,998
Ms Christina Boyce	98,628	-	-	98,628	9,370	-	-	-	107,998
Mr Neil Broekhuizen (1)	86,667	-	-	86,667	5,700	-	-	-	92,367
Ms Zita Peach (2)	60,962	-	-	60,962	5,791	-	-	-	66,753
Total Non-executive Directors	482,789	-	-	482,789	43,332	-	-	-	526,121
Executive Directors									
Mr James Thiedeman (3)	462,066	48,000	-	510,066	19,308	-	-	2,572	531,946
Dr Richard Henshaw	375,976	-	-	375,976	21,810	-	-	-	397,786
Total Executive Directors	838,042	48,000	-	886,042	41,118	-	-	2,572	929,732
Other Key Management Personnel									
Mr Michael Knaap	340,241	54,036	-	394,277	19,308	-	-	52,831	466,416
Total Other Key Management Personnel	340,241	54,036	-	394,277	19,308	-	-	52,831	466,416
Total	1,661,072	102,036	-	1,763,108	103,758	-	-	55,403	1,922,269

(1) Prior to 31 October 2016, Director fees to Mr Neil Broekhuizen were made payable to Ironbridge Capital Management Pty Ltd
(2) Ms Zita Peach commenced as NED on 12 October 2016.
(3) Mr James Thiedeman tendered his resignation, announced on 12 May 2017.

2016

	Short term employee benefits				Post employment Benefits			Share Based payments	
	Salary & fees $	STI Cash bonus $	Non-monetary benefits $	Total $	Superannuation benefit $	Other long term benefits $	Termination benefits $	Rights $	Total $
Non-Executive Directors									
Mr Richard Davis	130,137	-	-	130,137	12,363	-	-	-	142,500
Mr Josef Czyzewski	91,324	-	-	91,324	8,676	-	-	-	100,000
Ms Christina Boyce	89,041	-	-	89,041	8,459	-	-	-	97,500
Mr Neil Broekhuizen(1)	80,000	-	-	80,000	-	-	-	-	80,000
Total Non-Executive Directors	390,502	-	-	390,502	29,498	-	-	-	420,000
Executive Directors									
Mr James Thiedeman	389,554	266,041	-	655,595	20,568	-	-	66,770	742,933
Dr Richard Henshaw	362,867	-	-	362,867	19,316	-	-	-	382,183
Total Executive Directors	752,421	266,041	-	1,018,462	39,884	-	-	66,770	1,125,116
Other Key Management Personnel									
Mr Michael Knaap (2)	267,098	125,000	-	392,098	15,595	-	-	260	407,953
Mr Rodney Fox (3)	60,561	-	-	60,561	4,827	-	-	-	65,388
Dr Michelle Lane (3)	139,205	-	-	139,205	9,654	-	-	-	148,859
Total Other Key Management Personnel	466,864	125,000	-	591,864	30,076	-	-	260	622,200
Total	1,609,787	391,041	-	2,000,828	99,458	-	-	67,030	2,167,316

(1) Fees to Mr Neil Broekhuizen was payable to Ironbridge Capital Management Pty Ltd.
(2) Mr Michael Knaap became a KMP on 31 August 2015 following appointment as Chief Financial Officer. Included in Mr Michael Knaap's STI is a $20,000 payment for satisfying the six month probationary period.
(3) Mr Rodney Fox ceases as a KMP on 31 August 2015.
(4) Professor Michelle Lane ceased as a KMP on 16 November 2015 after re-organisation of management structure resulting in Professor Lane's appointment as Regional Manager – NSW, SA & NT.

Details of unvested share options and rights held by the CEO and CFO and its movement during the financial year are detailed below:

	Type	Hurdle	Grant Date	Performance Period End Date	Balance of Unvested Equity 1 July 16	Balance of Unvested Equity 1 July 16	Granted in FY17		Vested in FY17		Lapsed or Forfeited		Balance of Unvested Equity 30 June 17	Share Based Payment Expense FY17	Fair Value per security
					#	$	#	$	#	$	#	$	#	$	$
Mr James	Option	EPS	30-Jul-14	30-Jun-17	400,000	84,000	-	-	140,000	29,400	260,000	54,600	-	-24,267	0.21
Thiedeman [1]	Option	TSR	30-Jul-14	4-Sep-17	400,000	76,000	-	-	-	-	-	-	400,000	27,444	0.19
[2] [3]	Right	EPS	29-Jun-16	30-Jun-18	81,713	134,826	-	-	-	-	81,713	134,826	-	-334	1.65
	Right	TSR	29-Jun-16	12-Sep-18	81,713	107,044	-	-	-	-	81,713	107,044	-	-271	1.31
	Right	EPS	17 Mar-17	30-Jun-19	-	-	52,323	88,426	-	-	52,323	88,426	-	-	1.69
	Right	TSR	17-Mar-17	9-Sep-19	-	-	52,323	32,963	-	-	52,323	32,963	-	-	0.63
Total					963,426	401,870	104,646	121,389	140,000	29,400	528,072	417,859	400,000	2,572	
Mr Michael	Right	EPS	29-Jun-16	30-Jun-18	35,072	57,869	-	-	-	-	-	-	35,072	26,645	1.65
Knaap	Right	TSR	29-Jun-16	12-Sep-18	35,072	45,944	-	-	-	-	-	-	35,072	20,766	1.31
	Right	EPS	17-Mar-17	30-Jun-19	-	-	19,447	32,865	-	-	-	-	19,447	3,966	1.69
	Right	TSR	17-Mar-17	9-Sep-19	-	-	19,447	12,251	-	-	-	-	19,447	1,454	0.63
Total					70,144	103,813	38,894	45,116	-	-	-	-	109,038	52,831	

(1) The exercise price for the unvested options granted on 30 July 2014 were $1.85 per share.
(2) Mr James Thiedeman tendered his resignation in FY17; therefore forfeits performance rights granted in FY16 and FY17.
(3) As a result of CAGR EPS Growth at 8.7% delivered over 3 year term, 35% of EPS options granted on 30 July 2014 vested on 30 June 2017.

Analysis of bonuses included in remuneration

Details of the vesting profile of the STI cash bonuses awarded as remuneration to each director of the Company and other KMP are detailed below:

	Cash Bonus (2017)			Cash Bonus (2016)		
	Payable	% of Available Bonus		Paid	% of Available Bonus	
	$	Payable %	Not Payable %	$	Paid %	Not Paid %
Executive Directors						
Mr James Thiedeman	48,000	15%	85%	266,041	87%	13%
Dr Richard Henshaw	-	-	-	-	-	-
Other Key Management Personnel						
Mr Michael Knaap (1)	54,036	50%	50%	125,000	100%	0%

(1) Mr Michael Knaap's 2016 cash bonus paid includes $20,000 for satisfying the six-month probationary period

3.3 Loans to Key Management Personnel

No new loans were issued to KMP during 2017.

3.4 Other transactions with Key Management Personnel

Dr Richard Henshaw was the only doctor during FY2017 who served as a Director. He was paid a salary by the Group.

3.5 Key Management Personnel ownership of shares

The following details Monash IVF Group ordinary shares held by Directors and KMP during 2017:

Name	Balance at start of year	Granted as remuneration	Net Change	Balance at end of year
Non-executive Directors				
Mr Richard Davis	27,026	-	-	27,026
Mr Josef Czyzewski	122,027	-	-	122,027
Ms Christina Boyce	26,215	-	-	26,215
Mr Neil Broekhuizen	100,000	-	-	100,000
Ms Zita Peach (1)	-	-	-	-
Executive Directors				
Mr James Thiedeman	1,102,758	-	(252,000)	850,758
Dr Richard Henshaw	2,014,960	-	(906,358)	1,108,602
Other Key Management Personnel				
Mr Michael Knaap	46,670	-	-	46,670
Total	3,439,656	-	(1,158,358)	2,281,298

(1) Zita Peach commenced as NED on 12 October 2016.

During FY17 the Board established Non-Executive Director (NED) share ownership guidelines whereby the company encourages its Directors to build and maintain a shareholding in the Company to the value of at least one year of their total fixed remuneration. Existing NED's are asked to be compliant with the guideline in 3 years from the 2016 annual general meeting, where as new NED's are asked to be compliant within 3 years of commencement on the Board.

4.0 Link to Group Performance

4.1 Group Performance

The revenue and earnings of the Group for the five years to 30 June 2017 are summarised below:

Measure	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Revenue	155,182	156,561	124,955	114,012	96,598
EBITDA (1)	48,974	49,584	38,805	36,782	36,746
Net Profit After Tax (1) (2)	29,619	28,775	21,373	4,852	N/A
STI Payable (4)	17.8%	84.6%	0.0%	N/A	N/A
Total Shareholder Return (2)	3%	48%	-27%	N/A	N/A
Closing Share Price ($)	1.78	1.82	1.28	1.77	N/A
Dividend Per Share (cents)	8.80	8.50	6.95	N/A	N/A
Earnings per Share (cents) (2) (3)	12.6	12.2	9.2	2.0	N/A

1) The EBITDA and Net Profit after Tax for 2014 is adjusted to add back costs associated with the IPO. EBITDA is a non IFRS measure and is not subject to audit or review.
2) The Net Profit after Tax, total shareholder return and earnings per share are not comparable for certain years due to the capital structure and discontinued operations.
3) Earnings per share is based on the weighted average number of shares during that year. In 2014 if the number of shares were based on shares on issue at year end, earnings per share would have been 1.1 cents per share.
4) STI payable is total KMP and Management bonuses approved for FY17 as compared to maximum incentive entitlement.

During the period, Revenue, EBITDA, NPAT, TSR and EPS were key performance measures. EBITDA is a major component of the STI plans for both the CEO and CFO whilst TSR and EPS are long term metrics used to measure the CEO and CFO's remuneration via the Executive Long Term Incentive Plan. CEO and CFO remuneration varies with the outcomes of these measures above a required threshold performance level.

Insurance of officers

During or since the end of the year, the Group paid a premium in respect of a contract insuring each of the Directors of the Company, the Company Secretary and executives of the Company against liabilities that are permitted to be covered by Section 199B of the *Corporations Act 2001*. It is a condition of the insurance contract that the limit of indemnity, the nature of the liability and the amount of the premium is not disclosed.

Indemnification of officers

The Company has agreed to indemnify the Directors and Secretary of the Company, and its controlled entities against all liabilities to another person (other than the Company) that may arise from their position as Directors or Secretary, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Rounding off

The Company is of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that legislative instrument, amounts in the Annual Financial Report are rounded off to the nearest thousand dollars, the Remuneration report is rounded off to the nearest dollar, and the Directors' Report is rounded off to the nearest decimal of a million dollars, unless otherwise stated.

Non-audit services

During the year KPMG, the Company's auditor has performed certain other services in addition to its statutory duties. The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services are subject to corporate governance procedures adopted by the Group and have been reviewed by those charged with governance throughout the year to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to audit independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details on audit and non-audit service fees paid or payable to the Company's auditors during the year are disclosed in Section 6.5 of the Financial Report.

The Directors' report is made out in accordance with a resolution of the directors:

Mr Richard Davis
Chairman

Dated in Sydney this 21st day of August 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 audit of Monash IVF Group Limited for the financial year ended 30 June 2017 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
21 August 2017

This statement, approved by the Board, reports on the Group's key governance framework, principles and practices as at 30 June 2017. These principles and practices are subject to regular review and when necessary revised to reflect legislative changes or corporate governance best practice.

The Board of Directors is committed to maintaining the Group's pre-eminent status as a leader in the fields of Assisted Reproductive Services (ARS) and specialist women's imaging. This commitment will lead to sustainable growth and shareholder returns. The Board is a strong advocate of good corporate governance and its fulfilment of these practices and obligations will enhance the ability for shareholders to be appropriately rewarded.

Monash IVF Group Ltd complies in all material respects with the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations released in 2014. The details of this compliance and reasons for any non compliance are set out in this statement. A separate Appendix 4G has been lodged with the Australian Securities Exchange Limited (ASX)

Principle 1 Lay solid foundations for management and oversight

1.1 Roles and responsibilities of the Board and Management and delegation

The role of the Board is to oversee good governance practice in all aspects of the Group's undertakings. This includes setting and approving the strategic direction of the Group and to guide and monitor Monash IVF Group management and its businesses in achieving their strategic objectives. The Board is committed to maximising performance through continued investment in all aspects of the business including research, education and innovation in clinical services to improve patient outcomes.

The Board is committed to a high standard of corporate governance practice and fosters a culture of compliance which values ethical behaviour, integrity, teamwork and respect for others.

The Monash IVF Group Ltd Board Charter outlines the role and responsibilities of the Board along with direction on Board composition, structure and membership requirements. The Charter clearly outlines matters expressly reserved for the Board's determination and those matters delegated to Management.

The Company's Chief Executive Officer and Managing Director, James Thiedeman, has responsibility for day-to-day management of Monash IVF Group Ltd in its entirety. James is supported by a Senior Management Committee which is responsible for implementation of Board directed strategies at an operational level. The Company's Chief Executive Officer and Managing Director, James Thiedeman announced his resignation in FY17, with a succeeding Senior Management Committee continuing to support the operational strategy, the board is undertaking an extensive search to appoint a new CEO.

The Monash IVF Group Ltd Board Charter is available on the Monash IVF Group Ltd website http://ir.monashivfgroup.com.au/Investor-Centre/?page=Corporate-Governance

1.2 and 1.3 Board and Senior Executive Appointments

In the event of a new appointment to a director or senior executive role, appropriate probity and integrity checks are undertaken to ensure the individual has an appropriate background to hold the role with Monash IVF Group Ltd. Should the role be for election of a director for the first time a comprehensive check of the candidates personal and professional history would occur including details of any other material directorships or non executive roles. Ms. Zita Peach was appointed as a new Director during the year on 12 October 2016.

All Board members have a written agreement outlining the terms of their appointment clearly articulating the expectations, roles and responsibilities and remuneration of their role.

Principle 1 Lay solid foundations for management and oversight (continued)

All employment agreements for senior executives clearly set out their terms of appointment, remuneration and requirements to adhere to company policies and procedures. Industry regulation requires police checks for employees and these are updated regularly. Employment contracts require employees to disclose any offences that would result in an adverse police check.

1.4 Company Secretary

Mr Michael Knaap was appointed in the role of Company Secretary and Chief Financial Officer with Monash IVF Group Ltd in September 2015. Michael's role is to work closely with the Board and its committees to advise on governance matters and to oversee meeting protocols are adhered to including comprehensive minutes.

1.5 Diversity Policy

Monash IVF Group Ltd is a dynamic organisation that recognises its employees are its greatest asset. The Company's workforce is made up of individuals with a diverse set of skills, values, experiences, backgrounds and attributes including those gained on account of their gender, age, disability, ethnicity, marital or family status, religious or cultural background and sexual orientation.

Monash IVF Group Ltd is a relevant employer under the terms of the Workplace Gender Equality Act 2012 and is compliant with the requirements of the Australian Government Workplace Gender Equality Agency. The breakdown of gender is listed in organisational list below:

Organisational Level	Number of Women	% of Women
CEO and Directors	2	29%
Senior Management	5	38%
Team Leader	13	72%
Total Staff (inc above)	582	92%

The Board recognises the high proportion of women in the workplace and feels that this gender diversity is appropriate given the nature of the business. Senior Management is defined as Key Management Personnel plus the next level of management being primarily State general managers.

Monash IVF Group Ltd has in place a Flexible Work Arrangements policy to promote work / life balance and to accommodate family care in line with operational requirements of the business. During FY17, 28 staff utilised the Group's generous parental leave options. Flexible hour working arrangements either under formal or informal agreements are widely used across the Monash IVF Group.

The workplace Diversity Policy is overseen by the Remuneration and Nomination Committee. The Committee has no executive powers with regard to its findings and recommendations however is responsible for monitoring, reviewing and reporting to the Board on the Company's performance in respect of gender diversity in accordance with the Company's Diversity Policy.

The Board is committed to targeting a board composition aligned to its workforce and patient base overtime.

The Diversity Policy is available on the Monash IVF Group Ltd website http://ir.monashivfgroup.com.au/Investor-Centre/?page=Corporate-Governance

Principle 1 Lay solid foundations for management and oversight (continued)

The Group has policies in relation to harassment, discrimination and grievance procedures including independent avenues that employees can pursue. The policies are contained in manuals provided to employees upon commencement and are also available via the company intranet. The Group also offers an employee assistance program that provides counselling services to employees for issues that may impact their work performance. In FY17 the organisation launched an online Learning Management System - Learning@Monash IVF, an on-line learning management portal which will support, manage and track all your enrolled courses plus assist in the delivery of in-house compliance training and learning events.

1.6 Director Performance Evaluation

The Remuneration and Nomination Committee under the Chair of Ms Christy Boyce undertakes the process of performance reviews of the Board, its Committees and the Chairman. Objectives of the review are to ensure the Board adheres to ASX governance principles and to identify opportunities to improve the functioning of the Board as a whole. The focus is on the performance of the Board as a whole and, to a lesser extent, the Board committees. It is not intended to evaluate the performance of individual directors. The Chairman performs individual appraisals on each director.

The annual review completed by Monash IVF Group Ltd Board was undertaken in July 2017. It involved directors completing a confidential online questionnaire covering aspects outlined in the Board Charter. The results were aggregated and discussed by the Board to inform areas or opportunities for improvement.

Individual review of Board members was undertaken at the end of FY17 by the Chairman. This process allowed for evaluation of contributions made during the previous year and provided the Chair with the opportunity to set development plans and issue specific guidance to individual Directors.

1.7 Senior Executive Evaluations

Monash IVF Group Ltd has an annual Performance Review Policy for all senior executives and managers as stated in the Board Charter. Senior executive and manager performance is reviewed by the CEO against KPIs which are both financial and non financial in nature. The Remuneration and Nomination Committee have oversight of this process.

The Chairman of the Board performs the CEO performance review against annual key performance indicators. James Thiedeman's performance was formally reviewed in July and recommendations as a result were taken to the Board. The Board oversees and monitors the key performance indicators and strategic plan for the Group which also allows the Board to monitor the performance of senior executives outside the annual review process.

Principle 2 Structure of the Board to add value

The Constitution of the Company provides that the number of Directors must at any time be no more than ten and no less than three members. The Monash IVF Group Ltd Board currently consists of seven directors, five independent and two non independent members. The Board charter prescribes that the Chair of the Board must be independent and the Board should consist of individuals who contribute a mix of skills and a diversity of professional backgrounds. Further information on the Board members is available in the Directors Report.

Monash IVF Group Ltd believes the current Board of seven members adequately allows its members to carry out its responsibilities without unnecessarily debasing its effectiveness with an excessive number that can hinder individual engagement and involvement of Board members. To add efficiency to the Board two committees are in-place; the Remuneration and Nomination Committee and the

Audit and Risk Committee whereby meetings occurred during FY17. The Board Charter prescribes that all committee members be Independent Directors.

A summary of the Board members, their roles, independence and appointment dates shows:

Director	Position	Independent	Appointment Date
Mr Richard Davis	Independent Chairman	Yes	4/6/2014
Mr Josef Czyzewski	Independent non-executive Director	Yes	4/6/2014
Ms Christina Boyce	Independent non-executive Director	Yes	4/6/2014
Ms Zita Peach	Independent non-executive Director	Yes	12/10/2016
Mr Neil Broekhuizen	Independent non-executive Director	Yes	4/6/2014
Mr James Thiedeman	CEO and Managing Director	No – CEO and Managing Director	30/4/2014
Dr Richard Henshaw	Executive Director	No – Fertility Specialist with Monash IVF Group Ltd	30/4/2014

2.1 Remuneration and Nomination Committee

The Remuneration and Nomination Committee is governed by the Remuneration and Nomination Committee Charter as found on the Monash IVF Group Ltd website at http://ir.monashivfgroup.com.au/Investor-Centre/?page=Corporate-Governance

The Remuneration and Nomination Committee consists of four independent Directors of the Board:

- Ms Christina Boyce (Chair)
- Mr Richard Davis
- Mr Josef Czyzewski
- Ms Zita Peach (Commenced as a member of the Committee on 16/12/16)

The Committee assists the Board by reviewing and making recommendations to the Board in relation to:

- the Company's remuneration policy;
- Board succession issues and planning;
- Board member and re-election of members to the Board and its committees;
- Director induction and continuing professional development programs for Directors;
- remuneration packages of senior executives;
- non-executive Directors and executive Directors, equity-based incentive plans and other employee benefit programs;
- Company superannuation arrangements;

- the Company's recruitment, retention and termination policies;
- succession plans of the CEO, senior executives and executive Directors;
- the process for the evaluation of the performance of the Board, its Board Committees and individual Directors;
- the review of the performance of senior executives;
- review of the Company's remuneration policies and packages; and
- the size and composition of the Board and strategies to address Board diversity and the Company's performance in respect of the Company's Diversity Policy, including whether there is any gender or other inappropriate bias in remuneration for Directors, senior executives or other employees.

2.2 Board Skill Matrix

On establishing the Board in 2014 the desirable skills, attributes and experience required was considered in searching for potential Board members. The below skill matrix outlines the current Board Director skill set:

	Strategic direction setting	New business development	Mergers and acquisitions	International business development	Health services	Clinical/ medical experience	Accounting/ Finance	Regulatory/ government relations	Technology	Work, health & safety
Mr Richard Davis	100%	75%	100%	75%	25%	0%	100%	50%	0%	50%
Mr Joe Czyzewski	50%	25%	100%	50%	75%	0%	100%	50%	25%	25%
Ms Christy Boyce	100%	50%	25%	50%	25%	0%	50%	50%	75%	0%
Mr Neil Broekhuizen	75%	100%	100%	75%	50%	0%	100%	50%	75%	25%
Mr James Thiedeman	50%	50%	50%	25%	75%	0%	75%	75%	75%	100%
Dr Richard Henshaw	100%	75%	75%	25%	100%	100%	0%	100%	50%	25%
Ms Zita Peach	100%	100%	100%	100%	75%	0%	75%	75%	100%	50%

100% 75% 50% 25% 0%

Monash IVF Group Ltd believe the current Director skill set is adequate to ensure an appropriate and diverse mix of backgrounds, expertise, experience and qualifications exist to assist with being able to understand and effectively advise on Group strategy and growth.

2.3 2.4 and 2.5 Board Independence

The Board Charter outlines that at least half of the Board should be independent directors, one of whom is the Chairman. A director is deemed to be "independent" if free of any business or other relationship with the Company that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of unfettered and independent judgement.

The Board has assessed, using the criteria set out in the ASX Corporate Governance Principles and Recommendation, the independence of non-executive directors in light of their interests and relationships and considers at least half to be independent. The independence status and length of service of each director is outlined in the table under Principle 2. During FY17 the percentage of Board members considered independent increased to 71% from 50% in the previous financial year. Mr Richard Davis was appointed Monash IVF Group Ltd Chairman in June 2014. He is a non-executive Independent Director. Mr Davis in his role as Chair provides leadership to the Board and advice and support to the CEO. The Chair of the Board is responsible for overseeing Board dynamics and ensuring all directors contribute effectively and constructively to Group meetings and strategic agendas.

2.6 Director Induction and Professional Development

Monash IVF Group Ltd has a comprehensive induction process for Directors and senior executives. This induction includes meetings with senior management and staff to gain an understanding of the core business as well as visits to laboratories and clinics to gain a more in depth understanding of the business. There was one new appointment to the Board during the year where by a comprehensive induction process was undertaken.

Board members have been continuously informed via research papers and presentations, financial and business results and discussion involving market strategic initiatives contributing to the continued professional development of the Board.

Principle 3 Act Ethically and Responsibly

Monash IVF Group Ltd recognises the need to observe the highest standards of corporate practice, business conduct and responsible decision making. Accordingly, the Board adheres to a formal Code of Conduct which outlines Monash IVF Group Ltd policies on various matters including ethical conduct, business and personal conduct, compliance, privacy, security of information, financial integrity and conflicts of interest. This Code clearly states the standard of responsibility and ethical conduct expected of staff, directors or doctors engaged by the company. The Code recognises the numerous legislative and compliance matters that affect the business.

3.1 Code of Conduct

The Code of Conduct promotes ethical and responsible decision making by directors, contractors and employees. The Code also gives direction in the avoidance of conflicts of interest and mandates high standards of personal integrity, objectivity and honesty in the dealings of all Monash IVF Group Ltd Board members and staff, detailing guidelines to ensure the highest standards are maintained. Monash IVF Group holds all staff to act according to this code to maintain standards in confidentiality and general behaviour.

The code is provided to all staff as part of the Group induction process and compliance is reviewed regularly.

Monash IVF Group Ltd Code of Conduct policy can be found in full on our website under www.monashivfgroup.com.au/investor-centre/corporate-governance/ and includes a Whistle Blower policy.

Principle 4 Safeguard integrity in corporate reporting

4.1 Audit Committee

The Audit and Risk Management Committee for Monash IVF Group Ltd are responsible for supervising the process of corporate governance, financial reporting and risk management, internal control, continuous disclosure, non-financial risk monitoring and external audit. The Committee's role, as outlined in the Audit and Risk Management Committee Charter, is to monitor the Group's compliance with laws and regulations and adherence to the Group Code of Conduct and to promote discussion with regard to risk between Board, management and the external auditor.

Monash IVF Group Ltd engages the services of an external auditor; who's independence and performance is monitored and reviewed by the Audit and Risk Management Committee. The external auditors and Audit & Risk Committee and audit Chair met on a number of occasions independently of Management during 2017.

The current Audit and Risk Committee consists of four non-executive Independent Directors with experience and qualifications in financial management as outlined in the Audit and Risk Management Committee Charter.

Current members of the Committee are:

- Mr Josef Czyzewski (Chair)
- Mr Richard Davis
- Ms Christina Boyce
- Mr Neil Broekhuizen (Commenced as a member of the Committee on 16/12/16)

The Audit and Risk Management Committee Charter is available on the Monash IVF Group Ltd website at http://ir.monashivfgroup.com.au/Investor-Centre/?page=Corporate-Governance

4.2 Financial Statement Approval

Monash IVF Group Ltd CEO, Mr James Thiedeman, and CFO, Mr Michael Knaap, reviewed and verified that the FY17 half year and full year reporting statements as listed in reports to the ASX and shareholders are true and accurate. A declaration to that effect has been signed by both to declare that the financial records have been entered and maintained as per the Corporations Act (2001) accounting standards and they give a fair and true view of the financial position and performance of Monash IVF Group Ltd. Further a detailed questionnaire is completed by senior operational, administrative and financial management attesting to the validity and integrity of the processes that they control prior to the approval of the Financial statements. These questionnaires are reviewed by the Audit and Risk Committee.

4.3 Auditor in attendance at Annual General Meeting

Monash IVF Group Ltd has retained the services of KPMG as an external auditor for the annual financial audit of the Group. KPMG will be in attendance at the Annual General Meeting (AGM) on 24 November 2017 to respond to Shareholders questions and provide information and feedback if required on the Auditor's report. The external auditors attended the AGM held on 24 November 2016. Shareholders were able to supply questions to the auditor before the AGM via numerous methods as well as being provided with the opportunity to ask questions at the AGM.

Principle 5 Make timely and balanced disclosure

5.1 Continuous Disclosure

Monash IVF Group Ltd is committed to effective communication with its investors and the wider community. The Company strives to ensure that all Stakeholders, market participants, patients and the wider community are and in a timely manner, informed of its activities and performance in line with its Continuous Disclosure Policy.

This policy complies with the continuous disclosure obligations under the Corporation Act (2001) and the ASX Listing Rules and as much as possible seeks to achieve and exceed best practice to promote investor confidence in Monash IVF Group Ltd.

Continuous disclosure principles and requirements are well understood by the Monash IVF Group Ltd Company Secretary and the Board Directors and are in place to ensure all relevant information, especially of a sensitive nature, is made available in a timely manner. Any matters requiring disclosure are raised for consideration whenever necessary. The Monash IVF Group Ltd website is structured to provide shareholders and the community with easy access to information.

The Continuous Disclosure Policy can be found on the Monash IVF Group website at http://ir.monashivfgroup.com.au/Investor-Centre/?page=Corporate-Governance.

Principle 6 Respect the rights of security holders

6.1 Communication with Shareholders

Monash IVF Group Ltd ensures shareholders are fully informed of its governance processes and are notified of any major developments affecting the Group. In line with the Monash IVF Group Ltd Communication Policy the Company's website is considered to be the primary means to provide information to all stakeholders. It has been designed to enable information to be accessed in a clear and readily accessible manner including:

- Company information including Board members;
- A 'Corporate Governance' landing page with documents including Company' codes, policies and charters;
- all announcements and releases to the ASX;
- copies of presentations to shareholders, institutional investors, brokers and analysts;
- any media or other releases;
- all notices of meetings and explanatory material;
- a copy of the Company's Prospectus and Annual Reports;
- previous annual, half yearly and quarterly reports;
- any other relevant information concerning non-confidential activities of the Company including business developments.

The Company website can be found at www.monashivfgroup.com.au where information can be clearly located under heading:

- Home – homepage with Company history and overview
- About – information on Our People, Collaborations and Career Opportunities
- Our Business – lists the Monash IVF Group Ltd subsidiary companies
- Research and Innovation – lists current and published research and our scientific firsts.

6.2 Investor Relations

In addition to the Company website, there is a dedicated Investor Relations page found at http://ir.monashivfgroup.com.au/Investor-Centre/ which provides investors and shareholders with information on Monash IVF Group Ltd Board members, Announcements, Corporate Governance documents, Results presentations and webcasts. The Investor Centre also acts as a portal for two way communication between the Company and investors with links to a 'Contact Us' page which allows individuals to email enquiries and also provides postal address and contact number to allow access to the Company. The Communication Policy can be located at:

http://ir.monashivfgroup.com.au/Investor-Centre/?page=Corporate-Governance

6.3 Attendance at Company meetings

As cited in the Monash IVF Group Ltd Communications Policy, the Company encourages full participation of Shareholders at the Annual General Meeting which provides an excellent opportunity for the Company to provide information to its shareholders and to receive Shareholder feedback.

The next Annual General Meeting will be held on 24 November 2017.

In the event Shareholders are not able to attend the meetings, questions can be directed to the Group for addressing at the Annual General Meeting and the presentations and webcasts are promptly added to the website. These can be found at http://ir.monashivfgroup.com.au/Investor-Centre/?page=Presentations-Webcasts

Shareholders are also able to direct any questions via the Group's share registry provider, Link Market Services.

6.4 Electronic Communication

The Company recognises that electronic communication is often a more efficient and more desired form of communication. Monash IVF Group Ltd Communications Policy addresses this and accordingly Shareholders are given the option to communicate with the Company Share Registry electronically.

The Company's email system allows staff and stakeholders to communicate with ease with management and staff of the Company. Doctors, employees and other stakeholders have access to this system and are encouraged to use it to improve the flow of information and communication generally.

The Monash IVF Group Ltd Communications Policy can be located at:

http://ir.monashivfgroup.com.au/Investor-Centre/?page=Corporate-Governance

Principle 7 Recognise and Manage Risk

The Monash IVF Group Ltd Board, primarily through the Audit and Risk Committee, reviews and manages risk areas for the Group.

7.1 Audit and Risk Committee

The identification and appropriate management of risks is an important priority for the Monash IVF Group Ltd Board. 'Risks' are identified as any possible outcomes that could materially impact the Company's financial performance, assets, reputation, people or the environment.

Risk recognition and management are viewed by the Company as integral to its objectives of creating and maintaining shareholder value, and to the successful execution of the Company's strategies. The Audit and Risk Management Committee oversees and governs risk management strategy and policy, to monitor risk management and to establish procedures which seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

The Committee abides by the Audit and Risk Management Committee Charter to assist the Board in fulfilling its corporate governance and oversight responsibilities in actively identifying risks and developing appropriate mitigants. The Board Committee adheres to the Risk Management Policy for the business which highlights the risks relevant to Company operations.

Monash IVF Group Ltd's Audit & Risk Management Committee Charter can be found on the website at: http://ir.monashivfgroup.com.au/Investor-Centre/?page=Corporate-Governance

This Charter prescribes that the Audit and Risk Management Committee consist of three Board Directors that are non-executive independent Directors as detailed earlier in this report.

7.2 Risk Management

The Group Audit and Risk Committee review the Risk management Matrix and Risk Assessment Tool utilised by the Group entities. Both are used to assist in determining the action required in response to an actual or perceived risk based on the corporate and clinical consequences of a risk assessed against the likelihood of an event occurring.

The Group maintains a Risk Register that documents all identified risks, lists appropriate preventative actions to mitigate risks, reviews process of risk reduction and nominates responsible persons who take ownership of the risk strategy process. The Risk Register is currently reviewed by the Leadership Team internally every six months who then report results to the Audit and Risk Committee. During the year independent examination was undertaken of the Risk policies and the Risk register of the Group and the policies and procedures whilst found to be sound identified areas of improvement and the policies and practices are being improved to meet these challenges. The results of this examination formed the basis of the annual review of the Risk management framework and were reported to the Committee.

The risk register is also used to ensure that appropriate risks are identified and classified in the Matrix and Risk Assessment Tool.

A separate Workplace Health and Safety register is also maintained and reviewed by the Committee annually.

The company system of reporting allows for formal reporting of risks or adverse events and near misses. The company framework is compliant with the Audit and Risk Management Committee Charter as found at http://ir.monashivfgroup.com.au/Investor-Centre/?page=Corporate-Governance.

The Group Audit and Risk Committee has been apprised of the risk culture in the organisation as evidenced by the high standard of processes and procedures evident in the laboratories of the business and the recognition of this risk averse culture is maintained via the ongoing commitment to education and training of our Doctors and staff.

7.3 Internal Audit

Monash IVF Group Ltd have an outsourced Internal Audit Function that commenced at the beginning of FY17. The internal audit function compliments our external auditors review and report on internal controls bringing a systemic, disciplined approach to evaluating and continually improving the effectiveness of Monash IVF Group Ltd risk management and internal control processes. The Group appointed PriceWaterhouseCoopers as its internal audit provider in August 2016 who performed financial and non-financial internal audits in the financial, operational, information systems and compliance areas within the group. PriceWaterhouseCoopers has been engaged for a 3 year term.

The CEO and CFO also have key responsibility in ensuring that internal controls are in place and operating effectively. As part of the various accreditation and licencing processes undertaken by the business, key internal audits are undertaken. These audits are then made available to accrediting/licensing bodies. The Group believes internal controls implemented such as segregation of duties, delegation processes and structured approval process are in place to counter many risks.

7.4 Risk Exposure

Monash IVF Group Ltd provides assisted reproductive services in Australia and Malaysia and specialist women's imaging services in Australia. As a Group we are committed to conducting our services in an open and transparent environment and in a manner that is honest and ethical. The Group's focus embraces responsibility for corporate actions and encourages a positive impact on the environment and stakeholders including patients, employees, investors and the community.

Since our early pioneering days in assisted reproductive treatment, resulting in the first IVF pregnancy in 1973, Monash IVF Group Ltd has played an important role in the local communities we serve and society at large. Our focus on evidenced based fertility care provides the opportunity to commit resources to scientific research, clinical teaching and training.

From an ethical perspective, Monash IVF Group Ltd and its companies ensure national regulation and state legislation drives the standards of care to ensure we protect our patients, donors and any children born as a result of treatment provided by the Group.

The clinical services offered by the the Group are subject to numerous legislative and regulatory instruments, guidelines and codes. Regular accreditation audits are undertaken, in addition to a comprehensive clinical internal audit program. In addition pregnancy and live birth results are independently verified by a third party auditor.

Our assisted reproductive treatment sites in Australia are accredited with the Reproductive Technology Accreditation Committee (RTAC) and we ensure continued appropriate registrations are held by our sites, doctors, nurses and scientists. This accreditation incorporates components covering ethics and safety in practice and management of adverse events. Our day surgeries are accredited with National Safety and Quality Health Service (NSQHS) standards which ensure quality standards are consistent with an exceptional standard of care expected by consumers in health facilities. Our diagnostic laboratories are accredited against the ISO standard relating to medical laboratories, requirements for quality and competence. Our Malaysian site whilst not legally requiring the same level of approval operates to the same standards having been externally accredited to the international RTAC standards.

The Quality Management System in place in each laboratory supports the review and monitoring of quality of product from suppliers. New consumables undergo a full quality screening process and products are thoroughly evaluated to review where and how products are manufactured before being used in the laboratories. All products are reviewed formally on an annual basis to ensure they maintain quality standards and informally on a day to day basis. Currently all Monash IVF Group sites use predominantly products from the top two suppliers in lab products supplying to Australia in order to maintain consistency in quality.

The Group recognises that our staff and Doctors are instrumental to the success of the organisation. Comprehensive recruitment, credentialing, induction, training and development programs are designed to attract and retain teams equipped to deliver outstanding patient care. Staff actively participate in the continual improvement of our internal policies and processes and are encouraged to participate in innovation and research.

The Monash IVF Group Workplace Health and Safety Policy covers policies on general safety in the work environment including management and disposal of chemicals to ensure all are being utilised and disposed of under best practice guidelines to reduce environmental impact.

Monash IVF Group Ltd recognises protecting the environment is a critical issue and a key responsibility of the business and corporate community. With 22 fertility clinics, 17 specialist women's imaging sites, 5 service centres, 2 specialised diagnostic laboratories, 3 day hospitals and one central administration headquarters we consider our impact environmentally to be minimal. Monash IVF Group is an organisation that is not involved in manufacturing or resource extraction and hence we consider our environmental footprint to be small and we adopt a philosophy of clinical excellence in an environment of safe and supportive service provision. No material environmental or social sustainability risks have been identified.

The Group takes cyber security and its potential consequences extremely seriously. The Group has comprehensive security arrangements in place to isolate attacks on its systems and ensure that attempted intrusions are identified and viruses are not spread across the Group's network or systems. The Group's IT systems operate safely, securely and with a high degree of resilience. Numerous levels of redundancy and backup are built into the IT systems providing a high degree of system availability and protection of data.

Economic risk continues to be potentially material to Monash IVF Group Ltd. Our services in Australia are indirectly funded to a significant extent by the Australian Federal Government through Medicare Benefit Schedule and Extended Medicare Safety Net. Any change to the funding arrangements could lead to reduced demand for our services affecting financial performance and sustainability of the Group. Market contraction and changes to market dynamics can significantly affect business outcomes and is a risk for the Group. Market competitiveness has heightened for this reason. One area where Monash IVF Group Ltd has been integral in leading the industry has been in advocating for governing bodies to be more transparent in reporting outcomes of treatments to allow patients to be better informed before commencing treatment. Tightening industry standards to ensure policies on consistency of data gathering, outcome reporting and transparency of results to the community will lead to improved outcomes for patients and the industry generally.

The Group supports its employees to actively engage in community events and as a Group we take pride in sponsoring local causes and individuals who are striving to achieve personal goals. As an ASX listed company we encourage staff to get involved in community engagement initiatives and we have supported staff in 'giving back' to the community through charity events and sporting ventures for charitable purposes.

Principle 8 Remunerate fairly and responsibly

8.1 Remuneration and Nomination Committee

As outlined above under 'Structure the Board to add value' Monash IVF Group Ltd has a combined Remuneration and Nomination Committee which assists the Board with discharging its responsibilities to Shareholders with regard to developing and monitoring remuneration policies and practices for Directors, Senior Executives and employees.

The Committee works under the guidance of the Remuneration and Nomination Committee Charter and Remuneration Policy.

8.2 Remuneration of executive and non-executive directors

Under the guidance of the Remuneration and Nomination Committee and the Remuneration Policy the Monash IVF Group Ltd Board has established a framework for remuneration that is designed to ensure consistent and reasoned remuneration polices and practices are observed which enable the attraction and retention of directors and management and fairly rewards Directors and senior management for positive performance.

Monash IVF Group Ltd remuneration practices for Executive appointments are expanded on in the Remuneration Report. The Monash IVF Group Ltd Remuneration Policy can be found on the Group website at: http://ir.monashivfgroup.com.au/Investor-Centre/?page=Corporate-Governance

8.3 Equity Based remuneration

Currently the CEO and CFO have long term incentives that are equity based. The participants have no mechanisms available to limit the risk associated with that scheme.

Monash IVF Group Limited
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

		Consolidated	
	Note	2017 $'000	2016 $'000
Revenue		155,182	156,561
Employee benefits expense		(47,879)	(45,694)
Clinicians fees		(23,901)	(25,130)
Raw materials and consumables used		(13,055)	(14,402)
IT and communications expense		(2,580)	(2,617)
Depreciation expense	2.2	(3,617)	(3,713)
Amortisation expense	2.3	(744)	(501)
Property expense		(8,094)	(7,910)
Marketing and advertising expense		(4,718)	(4,534)
Professional and other fees		(2,775)	(2,975)
Other expenses		(3,206)	(3,715)
Operating Profit		**44,613**	**45,370**
Finance income		13	26
Finance expenses		(3,473)	(4,799)
Net finance costs	4.4	**(3,460)**	**(4,773)**
Profit before tax		**41,153**	**40,597**
Income tax expense	1.4	(11,534)	(11,822)
Profit for the year		**29,619**	**28,775**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		(67)	165
Tax on cash flow hedges		20	(49)
Exchange difference on translation of foreign operations		(261)	(32)
Other comprehensive income for the year, net of tax		**(308)**	**84**
Total comprehensive income for the year		**29,311**	**28,859**
Profit attributable to:			
Owners of the company		29,619	28,775
Non-controlling interests		-	-
Profit for the year		**29,619**	**28,775**
Total comprehensive income attributable to:			
Owners of the company		29,311	28,859
Non-controlling interests		-	-
Total comprehensive income for the year		**29,311**	**28,859**
Earnings per share			
Basic earnings per share (cents)	1.3	12.6	12.2
Diluted earnings per share (cents)	1.3	12.5	12.2

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

FOR THE YEAR ENDED 30 JUNE 2017

		Consolidated	
	Note	**2017 $'000**	**2016 $'000**
Current assets			
Cash and cash equivalents	4.5	3,502	8,472
Trade and other receivables	2.1	5,072	4,454
Other assets		6,476	4,883
Total current assets		**15,050**	**17,809**
Non current assets			
Equity accounted investment		654	352
Trade and other receivables	2.1	112	161
Plant and equipment	2.2	16,750	15,244
Intangible assets	2.3	254,688	253,952
Total non current assets		**272,204**	**269,709**
Total assets		**287,254**	**287,518**
Current liabilities			
Trade and other payables	2.4	17,304	19,174
Borrowings	4.3	(116)	453
Current tax liability		166	9,685
Employee benefits	3.1	7,603	6,831
Total current liabilities		**24,957**	**36,143**
Non current liabilities			
Trade and other payables	2.4	352	283
Borrowings	4.3	95,779	94,548
Employee benefits	3.1	962	952
Deferred tax liability	1.4	1,688	717
Total non current liabilities		**98,781**	**96,500**
Total liabilities		**123,738**	**132,643**
Net assets		**163,516**	**154,875**
Equity			
Contributed equity	4.1	428,347	428,347
Reserves		(137,357)	(137,093)
Profits reserve		33,418	24,513
Retained earnings		(160,892)	(160,892)
Total equity attributable to ordinary shareholders of Monash IVF Group limited		**163,516**	**154,875**
Total equity		**163,516**	**154,875**

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 YEAR ENDED 30 JUNE 2017

	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 year	-	-	28,775	-	-	28,775	-	28,775
Total other comprehensive income	-	-	-	-	84	84	-	84
Total comprehensive income for the year	**-**	**-**	**28,775**	**-**	**84**	**28,859**	**-**	**28,859**
Transactions with owners in their capacity as owners directly in equity								
Share-based payment transactions	-	-	-	-	116	116	-	116
Dividends paid	-	-	(18,125)	-	-	(18,125)	-	(18,125)
Consolidated Balance at 30 June 2016	**428,347**	**(136,811)**	**24,513**	**(160,892)**	**(282)**	**154,875**	**-**	**154,875**
Profit for the year	-	-	29,619	-	-	29,619	-	29,619
Total other comprehensive income	-	-	-	-	(308)	(308)	-	(308)
Total comprehensive income/(loss) for the year	**-**	**-**	**29,619**	**-**	**(308)**	**29,311**	**-**	**29,311**
Transactions with owners in their capacity as owners directly in equity								
Share-based payment transactions	-	-	-	-	44	44	-	44
Dividends paid	-	-	(20,714)	-	-	(20,714)	-	(20,714)
Consolidated Balance at 30 June 2017	**428,347**	**(136,811)**	**33,418**	**(160,892)**	**(546)**	**163,516**	**-**	**163,516**

(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 distributions as dividends in future periods.
(3) Other reserves includes share based payments, foreign currency translation and hedging reserve.

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 YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Cash flows from operating activities			
Receipts from customers		157,872	156,855
Payments to suppliers and employees		(111,895)	(107,707)
Cash generated from operations		**45,977**	**49,148**
Income taxes paid		(20,068)	(4,986)
Net cash flows generated from operating activities	4.5	**25,909**	**44,162**
Cash flows from investing activities			
Payments for property, plant and equipment		(6,603)	(8,203)
Payments for subsidiaries		(425)	(2,619)
Net cash flows used in investing activities		**(7,028)**	**(10,822)**
Cash flows from financing activities			
Receipt of borrowings		20,500	5,000
Receipt of loans receivable		54	10
Repayments of borrowings		(20,000)	(16,810)
Interest paid		(3,430)	(4,507)
Debt facility refinance cost		-	(393)
Dividends paid		(20,714)	(18,125)
Net cash flows used in financing activities		**(23,590)**	**(34,825)**
Total cash flows from activities		**(4,709)**	**(1,485)**
Cash and cash equivalents at the beginning of the year		8,472	9,989
Effects of exchange rate changes on foreign currency cash flows and cash balances		(261)	(32)
Cash and cash equivalents at end of the year	4.5	**3,502**	**8,472**

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

Contents

About this report

In order to develop this financial report, management is required to make a number of judgements and apply estimates of the future as part of the application process of the Group's accounting policies. Judgements and estimates, which are material to the report, are highlighted in the following notes:

1.4 Recovery of deferred tax assets and income taxes

2.2 Plant and equipment

2.3 Goodwill & other indefinite assets and goodwill impairment testing assumptions

3.3 Share based payments

Reporting entity

Monash IVF Group Ltd (the 'Company') is a for profit company primarily involved in the area of assisted reproductive services and the provision of specialist woman's imaging 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 is limited by shares. The consolidated financial statements comprise the Company and its controlled entities (collectively 'the consolidated entity', 'Monash Group' or 'Group').

Monash IVF Group Ltd and its wholly owned subsidiary Monash IVF Group Acquisitions Pty Ltd were incorporated on 30 April 2014.

Basis of preparation

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with:

- Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB); and
- the *Corporations Act 2001.*

The financial report of the Group also complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the international Accounting Standards Board (IASB).

The financial report was approved by the Board of Directors on the 21 August 2017.

Going concern

As at 30 June 2017, the group has a net current asset deficiency of $9,907,000 (FY16: $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 revenue will not be fully settled in the short term to cause a liquidity shortfall.

Basis of measurement

The financial report has been prepared on an accrual basis and is based on historical cost (unless otherwise stated), except for derivative financial instruments and contingent consideration assumed in a business combination, which have been measured at fair value.

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the functional and presentational currency of the Company and the majority of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Rounding of amounts

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

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Monash IVF Group Ltd as at 30 June 2017 and the results of all subsidiaries for the year then ended. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The acquisition method of accounting is used to account for business combinations by the Group.

Section 1
Our Financial Performance

This section provides the information that is most relevant to understanding the financial performance of the Group during the financial year and, where relevant, the accounting policies applied and the critical judgements and estimates made.

1.1 Operating Segments

Identification of reportable operating segments

The two geographic segments being Australia and International reflect Monash IVF Group's reporting structure to the Chief Executive Officer, its chief operating decision maker (CODM). Monash IVF Group considers that the two geographic segments are appropriate for segment reporting purposes under AASB 8 "*Operating Segments*". These segments comprise the following operations:

- Monash IVF Group Australia: provider of Assisted Reproductive Services, Ultrasound and other related services.

- Monash IVF Group International: provider of Assisted Reproductive Services in Malaysia.

Segment revenue

The revenue from external parties is measured in the same way as in the profit or loss. If any sales occur between segments, they are carried out at arm's length and are eliminated on consolidation.

Segment EBITDA

Segment performance is measured based on segment EBITDA as included in the internal management reports that are reviewed by the Group's CODM. Segment EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of segments relative to other entities that operate within the industry. Any intersegment pricing is determined on an arm's length basis.

Segment assets and liabilities

Segment assets and liabilities are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment, physical location of the asset and liabilities residing within each geographic segment.

Information about reportable segments

Information related to each reportable segment is set out on the next page. Segment profit before tax, as included in internal management reports reviewed by the Group's CODM, is used to measure performance because management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industries.

Given the nature of services provided, no segment is reliant on any major customers.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the patient, recovery of the consideration is probable and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Revenue from rendering of services is recognised on completion of services provided. Revenue is recognised on completion of a medical procedure, on supply of drugs, or on completion of analytical tests. If payments received from patients exceed the revenue recognised, the difference is recognised as deferred revenue.

1.1 Operating Segments (continued)

Deferred revenue

Fees for fertility treatment cycles paid in advance of the provision of the service are recognised as deferred revenue until the time the service is rendered to the patient when the fees are recognised as revenue.

Other revenue

Other revenue is recognised when the right to receive revenue has been established.

Segment results

2017	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total reportable segments $'000	Intersegment eliminations / unallocated $'000	Total $'000
Revenue					
External revenue	148,942	6,240	155,182	-	155,182
Total Revenue	**148,942**	**6,240**	**155,182**	**-**	**155,182**
Segment EBITDA[1]	**46,462**	**2,512**	**48,974**	**-**	**48,974**
Depreciation and amortisation expense	(4,286)	(75)	(4,361)	-	(4,361)
Interest revenue	13	-	13	-	13
Interest expense	(3,473)	-	(3,473)	-	(3,473)
Profit before income tax expense	**38,716**	**2,437**	**41,153**	-	**41,153**
Income tax expense	(10,968)	(566)	(11,534)	-	(11,534)
Profit for the year	**27,748**	**1,871**	**29,619**	-	**29,619**
Segment assets	**284,521**	**2,733**	**287,254**	**-**	**287,254**
Acquisition of plant and equipment and intangibles	5,764	839	6,603	-	6,603
Segment liabilities	**(123,358)**	**(380)**	**(123,738)**	**-**	**(123,738)**

[1] EBITDA is a non-IFRS measure which is used by the Group as a key indicator of underlying financial performance.

1.1 Operating segments (continued)

Segment results (continued)

2016	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total reportable segments $'000	Intersegment eliminations / unallocated $'000	Total Restated $'000
Revenue					
External revenue	150,406	6,155	156,561	-	156,561
Total Revenue	**150,406**	**6,155**	**156,561**	-	**156,561**
Segment EBITDA[(1)]	**47,157**	**2,427**	**49,584**	-	**49,584**
Depreciation and amortisation expense	(4,126)	(88)	(4,214)	-	(4,214)
Interest revenue	26	-	26	-	26
Interest expense	(4,406)	-	(4,406)	-	(4,406)
Lending fees and others	(393)	-	(393)	-	(393)
Profit before income tax expense	**38,258**	**2,339**	**40,597**	-	**40,597**
Income tax expense	(11,203)	(619)	(11,822)	-	(11,822)
Profit for the year	**27,055**	**1,720**	**28,775**	-	**28,775**
Segment assets	**279,503**	**8,016**	**287,518**	-	**287,518**
Acquisition of plant and equipment and intangibles	7,361	842	8,203	-	8,203
Segment liabilities	**(132,184)**	**(459)**	**(132,643)**	-	**(132,643)**

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

Foreign currency translation

Transactions in foreign currencies are translated at foreign exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised costs in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income (OCI), and presented in the foreign currency translation reserve (translation reserve) in equity.

1.2 Dividends

On 20 February 2017, the Board declared a fully franked interim dividend of 4.30 cents per share. Payment of the interim dividend occurred on 7 April 2017. On 26 August 2016, a fully franked 2016 final dividend of 4.50 cents per share was declared and paid on 14 October 2016. Total dividends declared during the 2017 financial year were 8.80 cents per share ($20.7m). Monash IVF Group's dividend policy is to intend a target payout ratio of between 60% and 70% of Statutory NPAT. The level of payout ratio is expected to vary between periods depending on general operating conditions, operating cashflow and profit, funding, strategic growth opportunities and availability of franking credits.

Subsequent to 30 June 2017, the Board has declared a fully franked 2017 final dividend of 4.50 cents per share. Total dividend declared for 2017 is 8.80 cents per share.

Franking credits surplus as at 30 June 2017 is $11.6m (FY16: $0.2m).

1.3 Earnings per share

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.

Earnings per share	**2017 Cents per share**	**2016 Cents per share**
Basic earnings per share	12.6	12.2
Diluted earnings per share	12.5	12.2

Profit attributable to ordinary shareholders	**2017 $'000**	**2016 $'000**
Profit after income tax attributable to the ordinary shareholders used in calculating basic and diluted earnings per share	29,619	28,775

Weighted average number of shares (basic)	**2017 Number**	**2016 Number**
Issued ordinary shares at 1 July	235,395,438	235,395,438
Adjustments for calculation of diluted earnings per share[(1)]	909,037	1,033,570
Weighted average number of ordinary shares (diluted) at 30 June	**236,304,475**	**236,429,008**

[(1)] The calculation of the weighted average number of shares has been adjusted for the effect of share based options/rights granted from the date of issue. Refer to Section 3.3 for further details.

1.4 Taxation

Recognition and Measurement

Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or to items recognised directly in equity or in OCI.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Income Tax

	2017 $'000	2016 $'000
Current tax	10,544	10,752
Deferred tax	990	1,070
Total income tax expense	**11,534**	**11,822**
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	1,061	1,141
Decrease in deferred tax liabilities	(71)	(71)
Total deferred tax expense	**990**	**1,070**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	41,153	40,597
Tax at the Australian tax rate of 30% (2016: 30%)	12,346	12,179
Tax effect of amounts which are not deductible in calculating taxable income:		
Effect of tax rates in foreign jurisdiction	(146)	(117)
Research and development	(300)	(175)
Other items	(76)	125
Over provision of previous year	(290)	(190)
Income tax expense	**11,534**	**11,822**

1.4 Taxation (continued)

Deferred Tax

2017

In thousands of dollars	Deferred tax asset 1 July 2016	Deferred tax liability at 1 July 2016	Recognised in profit or loss	Recognised directly in equity	Deferred tax asset at 30 June 2017	Deferred tax liability at 30 June 2017
Plant, equipment & software	-	(285)	71	-	-	(214)
Intangible assets	-	(5,944)	-	-	-	(5,944)
IPO transaction costs	2,318	-	(1,160)	-	1,158	-
Derivatives	172	-	-	19	191	-
Trade payables and provision	687	-	(136)	-	551	-
Employee benefits	2,335	-	235	-	2,570	-
Tax (liabilities)/assets before set off	**5,512**	**(6,229)**	**(990)**	**19**	**4,470**	**(6,158)**
Set off tax	(5,512)	5,512	-	-	(4,470)	4,470
Net tax assets/(liabilities)	**-**	**(717)**	**-**	**-**	**-**	**(1,688)**

2016

In thousands of dollars	Deferred tax asset 1 July 2015	Deferred tax liability at 1 July 2015	Recognised in profit or loss	Recognised directly in equity	Deferred tax asset at 30 June 2016	Deferred tax liability at 30 June 2016
Plant, equipment & software	-	(356)	71	-	-	(285)
Intangible assets	-	(5,944)	-	-	-	(5,944)
IPO transaction costs	3,478	-	(1,160)	-	2,318	-
Derivatives	220	-	-	(48)	172	-
Trade payables and provision	746	-	(59)	-	687	-
Employee benefits	2,257	-	78	-	2,335	-
Tax (liabilities)/assets before set off	**6,701**	**(6,300)**	**(1,070)**	**(48)**	**5,512**	**(6,229)**
Set off tax	(6,300)	6,300	-	-	(5,512)	5,512
Net tax assets/(liabilities)	**401**	**-**	**-**	**-**	**-**	**(717)**

1.4 Taxation (continued)

Recognition and Measurement

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.
- In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Offsetting deferred tax

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their assets and liabilities will be realised simultaneously.

Tax consolidation

Monash IVF Group Limited and its wholly Australian owned controlled entities are part of a tax consolidation group under Australian taxation law. Monash IVF Group Limited is the head entity in the tax-consolidated group. Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Monash IVF Group Limited and each of the entities in the tax consolidated group have agreed to pay (or receive) a tax equivalent payment to (or from) the head entity, based on the current tax liability or current tax asset of the entity.

**Key estimate and judgement:
Recovery of deferred tax assets**

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**Key estimate and judgement:
Income taxes**

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgement is required in determining the worldwide provision for income taxes and in assessing whether deferred tax balances are recognised on the statement of financial position. Changes in circumstances will alter expectations, which may impact the amount of provision for income taxes and deferred tax balances recognised.

Section 2
Our Operating Asset Base

This section provides information relating to the Group's Operating Base, highlighting the primary operating assets used and liabilities incurred to support the Group's operating activities.

2.1 Trade and other receivables
2.2 Plant and equipment
2.3 Intangible assets
2.4 Trade and other payables

2.1 Trade and other receivables

Recognition and Measurement

Trade receivables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method less provision for impairment.

A financial asset (including trade receivables) not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Trade and other receivables are impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Particularly for trade receivables a review is performed as to whether they are collectable according to the original terms of the sale transaction. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

	2017 $'000	2016 $'000
Current		
Trade receivables	4,145	3,778
Provision for impairment	(472)	(519)
Other debtors	1,135	870
Accrued income	264	325
Total current trade and other receivables	**5,072**	**4,454**
Non-current		
Other receivables and debtors	112	161
Total trade and other receivables	**5,184**	**4,615**

Credit Risk

Credit risk is the risk of financial loss to the Group if a patient or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables, being patients.

Credit risk is managed at a business unit level and reviewed regularly by the administrative/accounts receivables function. Up to 100% of patient fees are received in advance and recognised as deferred revenue if the procedure is yet to be performed. This reduces the risk of non-collectability. Trade receivables reflect 2.7% of annual revenue (FY16: 2.4%).

Payment reminder notices are issued to patients with outstanding balances at 30, 60 and 90 days. After which, collection of this debt is handled by a collection agency.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

2.2 Plant and equipment

Recognition and Measurement

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised on a net basis within “other income” in profit or loss.

Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the part will flow to the Group and its cost can be measured reliably.

The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of the plant and equipment are recognised in profit or loss as incurred.

Key estimate and judgement:
Plant and Equipment

The Group’s plant and equipment are depreciated over their useful economic lives. Management reviews the appropriateness of useful economic lives of assets and any impairment indicators annually by evaluating conditions specific to the consolidated Group and to the particular asset.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Assets in work-in-progress are not depreciated until commissioned for use.

2.2 Plant and equipment (continued)

Plant & Equipment	2017 $'000	2016 $'000
Cost		
Opening Balance at 1 July	**40,300**	**36,214**
Additions	5,123	8,069
Asset write off[2]	-	(160)
Reclassification to software[3]	-	(3,823)
Closing Balance at 30 June	**45,423**	**40,300**
Depreciation and impairment losses		
Opening Balance at 1 July	**(25,056)**	**(21,748)**
Depreciation for the year[1]	(3,617)	(3,713)
Asset write off[2]	-	40
Reclassification to software[3]	-	365
Closing Balance at 30 June	**(28,673)**	**(25,056)**
Carrying amount		
At 1 July (Opening balance)	15,244	14,466
At 30 June (Closing balance)	**16,750**	**15,244**

[1] The estimated useful lives of plant & equipment in 2017 and 2016 are between 2-10 years from the acquisition date.
[2] Accidental damage to assets (recovered through insurance).
[3] Reclassification of software related assets previously held as work-in-progress and capitalised to software upon completion. Refer to Section 2.3.

2.3 Intangible assets

Recognition and Measurement

Goodwill

Goodwill on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired entities at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets. Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill and trademark, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of software in 2017 and 2016 are between 5-10 years from the acquisition date.

	Goodwill $'000	Software $'000	Trademark $'000	Others[1] $'000	Total $'000
Cost					
Balance at 1 July 2015	230,657	8,748	19,845	9,587	268,837
Additions	-	134	-	-	134
Acquisition through business combination	-	3,823	-	-	3,823
Balance at 30 June 2016	**230,657**	**12,705**	**19,845**	**9,587**	**272,794**
Balance at 1 July 2016	230,657	12,705	19,845	9,587	272,794
Additions	-	1,480	-	-	1,480
Balance at 30 June 2017	**230,657**	**14,185**	**19,845**	**9,587**	**274,274**
Amortisation and impairment losses					
Balance at 1 July 2015	(1,549)	(6,840)	-	(9,587)	(17,976)
Amortisation for the year	-	(501)	-	-	(501)
Reclassification of software[2]	-	(365)	-	-	(365)
Impairment loss	-	-	-	-	-
Balance at 30 June 2016	**(1,549)**	**(7,706)**	**-**	**(9,587)**	**(18,842)**
Balance at 1 July 2016	(1,549)	(7,706)	-	(9,587)	(18,842)
Amortisation for the year	-	(744)	-	-	(744)
Impairment loss	-	-	-	-	-
Balance at 30 June 2017	**(1,549)**	**(8,450)**	**-**	**(9,587)**	**(19,586)**
Carrying amounts					
at 30 June 2016	229,108	4,999	19,845	-	253,952
at 30 June 2017	**229,108**	**5,735**	**19,845**	**-**	**254,688**

[1] Public Contracts, Public Relationships and Employment Contracts amortised to nil prior to 1 July 2014.
[2] Reclassification of software related assets from Section 2.2 previously held in plant and equipment as work-in-progress.

2.3 Intangible assets (continued)

Impairment testing

Recognition and measurement on impairment on Non-Financial assets

The carrying amounts of the Group's non financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows of other assets or groups of assets (the 'cash-generating' units). The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

The following CGUs were tested for impairment during the 2017 financial year:

	2017 $'000	2016 $'000
Goodwill allocated to:		
Monash IVF Group (Australia)	195,727	195,727
Monash IVF Group (Ultrasound)	28,232	28,232
Monash IVF Group (International)	5,149	5,149
	229,108	**229,108**

Key estimate and judgement:
Goodwill & Other indefinite life assets

Goodwill and other indefinite life intangible assets become impaired when their carrying value exceeds their recoverable amount. Recoverable amount is the greater of fair value less costs to sell or value in use. In determining the recoverable amount, judgments and assumptions are made in the determination of likely net sale proceeds or in the determination of future cash flows which support a value in use. Specifically with respect to future cash flows, judgments are made in respect to the quantum of those future cash flows, the discount rates (cost of capital and debt) applied to determining the net present value of these future cash flows.

Goodwill impairment testing assumptions

The recoverable amount of each CGU was calculated using a value in use calculation determined by discounting the future cash flows generated from each CGU. From impairment testing performed, the recoverable amount was determined to be higher than the carrying amount and any reasonable possible change to relevant assumptions and inputs would not result in the recoverable amount being lower than the carrying amount. The following key assumptions and inputs were utilised for the impairment testing:

- The respective discount rate was a pre-tax measure based on the rate of 10 year Government bonds issued by the Australian and Malaysian Government respectively in the relevant market, adjusted for a risk premium to reflect the increased risk of investing in equities generally and the systemic risk of the specific CGU. A pre-tax discount rate of 11.18% (FY16: 11.12%) for the Australian CGU, 11.90% (FY16: 11.12%) for the Ultrasound CGU and 11.55% (FY16: 11.46%) for the International CGU was applied in determining the recoverable amount. The discount rate was estimated based on past experience, and the industry average weighted cost of capital.
- Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity of 3.00% (FY16: 3.00%) has been determined based on an assessment of historical growth rates, expectations of future growth rates and market specific dynamics. Budgeted EBIT was based on the expectation of future outcomes taking into account past experience, adjusted for the anticipated revenue growth.

2.4 Trade and other payables

Recognition and Measurement

Trade and other payables

Trade and other payables are recognised when the Group becomes obligated to make future payments resulting from the purchase of goods and services. Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

	2017 $'000	2016 $'000
Current		
Trade payables	3,750	3,808
Accrued expenses	6,068	6,680
Deferred revenue	7,336	8,186
Contingent consideration	150	500
Total current trade and other payables	**17,304**	**19,174**
Non-current		
Doctor LTIP provision	352	283
Total trade and other payables	**17,656**	**19,457**

Section 3
Our People

This section provides financial insight into employee reward and recognition for creating a high performance culture and the Group's ability to attract and retain talent. This section is to be read in conjunction with the Remuneration Report, as set out in the Directors Report.

3.1 Employee Benefits

Recognition and Measurement

Short-term obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits are expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

Long-term obligations

All other employee benefits are measured at their present value of the estimated future cash outflow to be made in respect of services provided by the employees up to the reporting date. The discount rate is the yield at the reporting date on corporate bonds issued by the relevant markets that have maturity dates approximating the terms of the Group's obligations.

The aggregate amount of employee benefits is comprised of:

	2017 $'000	2016 $'000
Current liability		
Long service leave	3,899	3,321
Annual leave	3,704	3,510
Total current employee benefits	**7,603**	**6,831**
Non-current liability		
Long service leave	962	952
Total non-current employee benefits	**962**	**952**

The aggregate employee entitlement provision is $8,565,000 (FY16: $7,783,000). Employee benefits incurred during the year were $47,879,000 (FY16: $45,694,000).

3.2 Long-term incentive plan

Recognition and Measurement – Share based payments

The Group will provide benefits to certain employees in the form of share-based payment options and/or performance rights. The fair values of these instruments granted under the plans are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the instruments.

Fair value is measured at grant date using a combination of Binomial tree and Monte-Carlo Simulation models, for the respective performance hurdles. The valuation was performed by an independent valuer which models the future security price.

The fair value of the instruments granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of instruments that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of instruments that are expected to become exercisable.

The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in profit and loss with a corresponding adjustment to equity.

Under the Company's Long Term Incentive ("LTI") Plan, awards (constituting SARs, performance rights or options, or any different class or category of award on such terms as the Board determines) may be offered to eligible persons (including executives, contractors, senior management, doctors and other employees) selected by the Directors. Key management personnel, other senior management and fertility specialists are eligible to participate under the LTI Programmes.

Senior executive's long-term incentive plan

The senior executives LTI are share options and performance rights plans with vesting rights dependent upon the satisfaction of pre-defined performance hurdles and continuous employment. Current performance hurdlers are based on achievement of pre-defined Earning Per Share ("EPS") Hurdle and a Total Shareholder Return ("TSR") Hurdle over a three year performance period. The Board may amend the performance hurdles or specify a different performance hurdle(s) if it considers it necessary. For further detail on the specific LTI plans, refer to the Remuneration Report.

Fertility specialist long-term incentive plan

The fee for service fertility specialists were eligible to participate in the Fertility Specialist LTI Plan. Two separate tranches are offered:

- A Practice Development Award to recognise the consistent development of a fertility specialist's practice at above industry growth rates; and

- A Key Doctor Award to recognise the significant contribution of key fee-for-service fertility specialists and their commitment to the development of Monash IVF.

Eligibility criteria also included a number of qualitative criteria focused on optimising the patient experience and clinical excellence.

For further detail on the LTI plans, refer to the Remuneration Report.

3.3 Share-based payments arrangements

Long term incentive program (equity settled)

Key management personnel are entitled to participate in the Group long-term incentive plan. As detailed below, share options and performance rights were granted in FY15, FY16 and FY17 respectively, under the program. There will be no loan from the Company for the acquisition of shares upon vesting of the options.

A description of the equity plans in place during the year ended 30 June 2017 is described below:

Grant date/employees entitled	Number of performance rights	Vesting conditions	Exercise Price	Contractual life of performance rights
17 March 2017	143,539	EPS - Subject to meeting certain EPS hurdles and 3 year service period to 30 June 2019 TSR - Subject to Total Shareholder Return hurdles and a 3 year service period to the 11th trading day after the FY19 results announcement	N/A	5 years
29 June 2016	233,570	EPS - Subject to meeting certain EPS hurdles and 3 year service period to 30 June 2018 TSR - Subject to Total Shareholder Return hurdles and a 3 year service period to the 11th trading day after the FY18 results announcement	N/A	5 years

Grant date/employees entitled	Number of options	Vesting conditions	Exercise Price	Contractual life of options
30 July 2014	1,000,000	EPS - Subject to meeting certain EPS hurdles and 3 year service period to 30 June 2017 TSR - Subject to Total Shareholder Return hurdles and a 3 year service period to 30 July 2017	$1.85	5 years

Key estimate and judgement: Share-based payments

As a result of the combination of non-market (EPS) and market (TSR) vesting conditions, the fair value of the share rights plan has been measured using Binomial tree and Monte Carlo simulation respectively. The inputs used in the measurement of the fair values at grant date of the equity-settled share based payment plans were as follows:

	2017	2016	2015
Fair value at grant date (EPS condition)	$1.69	$1.65	$0.21
Fair value at grant date (TSR condition)	$0.63	$1.31	$0.19
Share price at grant date	$1.90	$1.83	$1.73
Exercise price	N/A	N/A	$1.85
Expected volatility - Monash IVF	32%	32%	24%
Expected volatility - ASX 300 Healthcare Index	15%	14%	-
Expected life (years)	5	5	4
Expected dividends	4.80%	4.80%	4.55%
Risk-free interest rate (based on government bonds)	1.91%	1.55%	2.82%

3.3 Share-based payments arrangements (continued)

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general instrument holder behavior.

Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options under the share option programme were as follows:

	Number of share options	Weighted-average exercise price
		$
Outstanding at 1 July 2015	800,000	1.85
Granted during the year	-	-
Outstanding at 30 June 2016	800,000	1.85
Granted during the year	-	-
Forfeited/lapsed during the year [(1)]	(260,000)	1.85
Outstanding at 30 June 2017	540,000	1.85
Options exercisable as at 30 June 2017	140,000	1.85

	Number of performance rights	Weighted-average exercise price
		$
Outstanding at 1 July 2015	-	-
Granted during the year	233,570	N/A
Forfeited/lapsed during the year	-	-
Outstanding at 30 June 2016	233,570	N/A
Granted during the year	143,540	N/A
Forfeited/lapsed during the year [(2)]	(268,072)	N/A
Outstanding at 30 June 2017	109,038	N/A
Options exercisable as at 30 June 2017	-	-

[(1)] 260,000 reflecting 65% of the FY15 EPS share options that did not vest at the end of the performance period.
[(2)] James Thiedeman, CEO, FY16 and FY17 performance rights are forfeited due to resignation during FY17.

3.4 Key management personnel

Compensation	2017 $	2016 $
Short-term employee benefits	1,763,108	2,000,828
Post-employment benefits	103,758	99,458
Share based payments	55,403	67,030
Total key management personnel compensation	**1,922,269**	**2,167,316**

For further information on key management personnel refer to the Remuneration Report.

Transactions with key management personnel and related parties

Prior to 31 October 2016, Mr Neil Broekhuizen's director fees were paid to Ironbridge Capital Management Pty Ltd. During 2017, payments to Ironbridge Capital Management Pty Ltd on behalf of Mr Broekhuizen totalled $26,667 (FY16: $80,000).

Section 4
Our Funding Structure

This section provides information relating to the Group's capital structure and its exposure to financial risk, how they affect the Group's financial position and performance, and how the risks are managed.

The capital structure of the Group consists of debt and equity. The Directors determine the appropriate capital structure of Monash IVF, specifically how much is raised from the shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the current and future activities of the Group. The Directors review the Group's capital structure regularly and do so in the context of the Group's ability to continue as a going concern, to invest in opportunities that grow the business and enhance shareholder value.

4.1 Contributed equity and reserves

Recognition and measurement

Ordinary shares

Ordinary shares are classified as equity.

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

Other equity reserve

The other equity reserve represents the difference between the issued capital in Healthbridge Enterprises Pty Ltd and Monash IVF Group Ltd on 26 June 2014, being the date Monash IVF Group Ltd acquired Healthbridge Enterprises Pty Ltd.

Profits reserve

The profit reserve comprises the transfer of net profit for the period and characterises profits available for distribution as dividends in future periods.

Share option reserve

Share option reserve represents the grant-date fair value of equity-settled share based payment awards granted to employees, which is generally recognised as an expense, with corresponding increase in equity over the vesting period of the awards.

Hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to highly probable forecast transactions. The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in OCI.

Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

4.1 Contributed equity (continued)

	Number of shares issued	$'000
Opening balance (1/7/15)	**235,395,438**	**428,347**
Closing balance (30/6/16)	**235,395,438**	**428,347**
Opening balance (1/7/16)	235,395,438	428,347
Closing balance (30/6/17)	**235,395,438**	**428,347**

No shares were issued during the year.

All shares are fully paid. No ordinary shares have been issued under the long-term incentive plan.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company. The fully paid ordinary shares have no par value.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor and market confidence and to sustain future growth of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital structure. In order to maintain an optimal capital structure, the Group may amend the amount of dividends declared and paid, return capital to shareholders or increase borrowings or equity to fund growth and future acquisitions.

Escrow arrangements

The following ordinary shareholders have entered into voluntary escrow arrangements in relation to certain ordinary shares they hold in Monash IVF Group Ltd. An 'escrow' is a restriction on sale, disposal, or encumbering of, or certain other dealings in respect of, the Shares concerned for the period of the escrow, subject to exceptions set out in the escrow arrangement.

	Number of Shares subject to escrow (m) - 30/6/17	Escrowed Shares (as a % of Shares on issue)
Doctors [1]	17.5	7.4%
Sydney Ultrasound for Women	1.7	0.7%
Total	**19.2**	**8.1%**

[1] Includes 1.1m shares subject to escrow held by Richard Henshaw (Executive Director)

4.1 Contributed equity (continued)

Escrow arrangements (continued)

Doctors

The escrow applied to a pre-IPO Doctor was calculated by reference to the aggregate value of that person's pre-reorganisation equity interests in Healthbridge Enterprises Pty Ltd as follows:

Shares equivalent to 10% of a Doctor's interest prior to the re-organisation are held in short-term escrow, with 6.66% being released from escrow on the first trading day in Shares following the announcement to the ASX by the Company of its preliminary final report for FY15 and FY16. Following the subsequent announcements of the Company's preliminary final report for FY17, shares equivalent to a further 3.33% of a Doctor's interest prior to re-organisation will be released (if not otherwise released) from escrow. This will conclude the release of the pre-IPO doctor short-term escrow. All of this short-term escrow can be released prematurely where the Doctor becomes a 'good leaver' (as described below).

1. Shares equivalent to 20% of a Doctor's interest prior to the re-organisation will be released when the Doctor reaches the age of 63. These shares may be otherwise released from escrow in the following circumstances:
   - for Doctors who are aged 63 or older at the time of re-organisation or who turn 63 within two years of Completion, these shares will be released from escrow on the second anniversary of re-organisation; or
   - where a Doctor becomes a 'relocated leaver' (as described below), these Shares will be released from escrow five years after the date that they become a 'relocated leaver'; or
   - where a Doctor dies or leaves the Group as a result of becoming permanently disabled or seriously disabled, these shares will be released from escrow on the date of the relevant occurrence (as resolved by the Board acting reasonably); or
   - If the Board determines to release the shares from escrow earlier.

2. Shares equivalent to the final 20% of a Doctor's interest prior to re-organisation will be released from escrow:
   - on retirement by the Doctor from the ARS industry (provided a Doctor must have used their best endeavours to transition their practice to another Doctor to the satisfaction of the Board); or
   - if the Doctor becomes a 'good leaver' or a 'relocated leaver' (as described below); or
   - Five years after the Doctor leaves Monash IVF Group in other circumstances.

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

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

(a) A Doctor is a 'good leaver' where:
   - they leave the Group as a result of death, serious disability or permanent incapacity through ill health (as determined by the Group's Board, acting reasonably); or
   - they or the Group terminates the Doctor's contract in specific circumstances; or

The Board determines, in its discretion, that the Doctor is a 'good leaver'.

(b) A Doctor is a 'relocated leaver' if they terminate their contract and the Board is satisfied that:
   - the Doctor genuinely intends to relocate permanently to a place which is more than 100 km from any clinic operated by the Group or any of its subsidiaries; and
   - the Doctor also intends to provide Assisted Reproductive Services in the place the Doctor is relocating to; and
   - the Doctor has used their best endeavours to transition their practice to another Doctor at the Group.

4.1 Contributed equity (continued)

Escrow arrangements (continued)

Escrow for Sydney Ultrasound for Women (SUFW)

All shares issued to the vendors of SUFW are escrowed such that 53.3% of the shares issued are escrowed until the first trading day after the release of the FY16 results at which time 3.3% of escrowed shares were released. 3.3% are escrowed until the first trading day after the release of the FY17 results and 3.3% are escrowed until the first trading day after the release of the FY18 results. The remaining 40% is subject to escrow is consistent with the Doctors above in points 1 and 2.

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

The escrow arrangements describing the circumstances in which a SUFW Doctor is a 'good leaver' or a 'relocated leaver' is the same as described above.

4.2 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Liquidity risk;
- Foreign exchange risk;
- Interest risk; and
- Price risk.

This note presents information about the Group's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

Risk management policies are in place to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its recruitment, training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages this risk through the following mechanisms:

- Preparing forward-looking financial analysis in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Obtaining funding from a variety of sources;
- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets;
- Only investing surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements, subject to the Group meeting future undertakings.

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	1-5 years $'000	Over 5 years $'000
2017					
Non-derivative financial liabilities					
Secured bank loans	95,500	(102,222)	(2,792)	(99,430)	-
Trade and other payables	17,656	(17,656)	(17,304)	(352)	-
Derivative financial liabilities					
Interest rate swaps	631	(631)	-	(631)	-
	113,787	**(120,509)**	**(20,096)**	**(100,413)**	**-**
2016					
Non-derivative financial liabilities					
Secured bank loans	95,000	(104,193)	(3,046)	(95,302)	(5,845)
Trade and other payables	19,457	(19,457)	(19,174)	(283)	-
Derivative financial liabilities					
Interest rate swaps	564	(564)	(564)	-	-
	115,021	**(124,214)**	**(22,784)**	**(95,585)**	**(5,845)**

4.2 Financial risk management (continued)

Foreign exchange risk

The Group is not exposed to material levels of foreign currency risk at the reporting date or during the financial year.

Interest rate risk

Interest rate risk is managed using a mix of floating rate debt and fixed rate instruments. At 30 June 2017 approximately 47% of the interest rate exposure is fixed (FY16: 60%). This is achieved by entering into interest rate swaps to mitigate interest rate risk on floating rate debt. Interest rate swaps are not entered into for trading purposes and are not classified as held for trading.

The interest rate profile of the Group's interest-bearing financial instruments as reported to management of the Group is as follows including the impact of hedging instruments:

	Consolidated	
	2017	2016
	$'000	$'000
Fixed rate instruments		
Financial assets	823	600
Financial liabilities	(45,000)	(57,000)
	(44,177)	**(56,400)**
Variable rate instruments		
Financial assets	2,680	7,872
Financial liabilities	(50,500)	(38,000)
	(47,820)	**(30,128)**

Cash flow sensitivity analysis for variable rate instruments

A reasonable possible change of a 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by $478,200 (FY16: $301,000). This assumes that all other variables remain constant.

4.2 Financial risk management (continued)

Market risk – Price risk

The Group is exposed to legislative and/or Government policy changes to funding for IVF and related healthcare services which may impact patient out-of-pocket costs resulting in potentially higher or lower demand.

Fair values

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. The Group has not disclosed the fair values for financial assets such as short-term trade receivables, and financial liabilities such as payables (including variable rate secured bank loans), because these carrying amounts are a reasonable approximation of fair values.

		Fair Value			
2017	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial liabilities measured at fair value					
Interest rate swaps for hedging	631	-	631	-	631
	631	**-**	**631**	**-**	**631**

		Fair Value			
2016	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial liabilities measured at fair value					
Interest rate swaps for hedging	564	-	564	-	564
	564	**-**	**564**	**-**	**564**

4.2 Financial risk management (continued)

The table above analyses financial assets and liabilities carried at fair value. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Measurement of fair value

(i) 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

Type	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Interest rate swaps for hedging	*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

4.3 Borrowings

Recognition and measurement

Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge certain floating interest rate exposures. On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedging items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the change in the cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributed transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes to therein are accounted for as described below. All derivative financial instruments are valued using unadjusted quoted prices in active markets for identical assets or liabilities.

Cash flow hedge

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in OCI and presented in the hedging reserve in equity. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in OCI and presented in the hedge reserve in equity remains there until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in OCI is recognised immediately in profit or loss. In other cases the amount recognised in OCI is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Where there is an unconditional right to defer settlement of the liability for at least twelve months after the reporting date, the loans and borrowings are classified as non-current.

The current facility comprises of a $110.0m syndicated debt and $5.0m working capital facility. In addition, the Group has access to an un-committed $40.0m accordion facility for acquisition and capital expenditure purposes. The maturity profile of the syndicated debt facility is as follows for amounts utilised:

				30 June 2017	
	Currency	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000
Commercial loans	AUD	2.87%	2020	66,000	66,000
	AUD	3.02%	2021	22,000	22,000
	AUD	3.17%	2022	7,500	7,500
Total interest-bearing liabilities				**95,500**	**95,500**

4.3 Borrowings (continued)

Borrowing carrying values are as follows:

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Current borrowings		
Derivatives	-	564
Capitalised finance facility fees	(116)	(111)
	(116)	**453**
Non-current borrowings		
Borrowings	95,500	95,000
Derivatives	631	-
Capitalised finance facility fees	(352)	(452)
	95,779	**94,548**

In February 2017, the Group entered into 2 new interest rate swaps which are in a hedging relationship with existing debt. The new swaps will mature in February 2022.

The banking facilities are secured via a first ranking security over substantially all of the Group's entities.

The Group is subject to certain financial undertakings under the banking facilities which will be tested at 31 December and 30 June each year. As at 30 June 2017, the Group is compliant with its financial undertakings and expects to remain in compliance with these financial undertakings. During the prior year, there were no defaults or breaches of covenants on any loans.

As at 30 June 2017, the Group had $911,000 of bank guarantees in place (FY16: $900,000).

4.4 Net Finance Costs

Recognition and measurement

Finance income and finance costs include:

- Interest income;
- Interest expense;
- The fair value gain or loss on contingent consideration classified as a financial liability;
- The net gain or loss on hedging activities that are recognised in profit or loss; and
- The reclassification of net gains previously recognised in OCI.

	2017	**2016**
	$'000	**$'000**
Finance income		
Interest income	13	26
Finance expense		
Interest expense	(3,312)	(4,249)
Amortisation of bank fees	(161)	(550)
Total finance expense	**(3,473)**	**(4,799)**
Net finance costs	**(3,460)**	**(4,773)**

4.5 Cash and cash equivalents

Recognition and measurement

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash balances and term deposits with original maturities of three months or less that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

The Group limits its exposure to credit risk on liquid funds because the counterparties engaged are banks with high credit ratings assigned by international credit agencies. At balance date, the Group had $3,502,000 in short-term deposits or cash at bank with 'A' rated or higher Australian banks.

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Cash at bank and in hand	2,937	7,872
Short-term bank deposits	565	600
Total cash and cash equivalents	**3,502**	**8,472**

Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities	**2017 $'000**	**2016 $'000**
Profit for the period	29,619	28,775
Adjustments for:		
Net finance expense	3,460	4,773
Depreciation and amortisation	4,361	4,214
Income tax expense	11,534	11,822
Reversal of earn out expense	(350)	-
Share of associate loss	123	-
Share options expense	44	117
Write offs of plant and equipment	-	120
Doctor LTIP expense	69	283
Operating profit before changes in working capital and provisions	**48,860**	**50,104**
(Increase)/decrease in trade and other receivables	993	(1,334)
(Increase) in other assets	(1,883)	(1,114)
Increase/(decrease) in trade and other payables	(2,775)	1,234
Increase in provisions and employee benefits	782	259
Income taxes paid	(20,068)	(4,987)
Net cash from operating activities	**25,909**	**44,162**

Section 5
Our Business Portfolio

This section provides further insight into the business acquired and group of subsidiary companies.

5.1 Controlled Entities

5.1 Controlled entities

The below entities are 100% owned by Monash IVF Group Limited.

	Place of business/country
Parent Entity	
Monash IVF Group Limited	Australia
Healthbridge Enterprises Pty Ltd	Australia
Monash IVF Group Acquisitions Pty Ltd	Australia
Healthbridge IVF Holdings Pty Ltd	Australia
Healthbridge Shared Services Pty Ltd	Australia
Healthbridge Repromed Pty Ltd	Australia
Repromed Finance Pty Ltd	Australia
Repromed Holdings Pty Ltd	Australia
Repromed NZ Holding Pty Ltd	Australia
Repromed Australia Pty Ltd	Australia
Adelaide Fertility Centre Pty Ltd	Australia
Monash IVF Holdings Pty Ltd	Australia
Monash IVF Finance Pty Ltd	Australia
Monash IVF Pty Ltd	Australia
Monash Reproductive Pathology and Genetics Pty Ltd	Australia
Monash Ultrasound Pty Ltd	Australia
Monash IVF Auchenflower Pty Ltd (formerly Wesley Monash IVF Pty Ltd)	Australia
Yoncat Pty Ltd	Australia
My IVF Pty Ltd	Australia
ACN 169060495 Pty Ltd	Australia
Palantrou Pty Ltd	Australia
ACN 166701819 Pty Ltd	Australia
ACN 166702487 Pty Ltd	Australia
KL Fertility & Gynaecology Centre Sdn. Bhd.	Malaysia
KL Fertility Daycare Sdn. Bhd.	Malaysia
Sydney Ultrasound for Women Partnership	Australia
Ultrasound Diagnostic Services Trust No.2	Australia
ACN 604384661 Pty Ltd	Australia
Ultrasound Diagnostic Services Pty Ltd	Australia
Fertility Australia Pty Ltd	Australia
Fertility Australia Trust	Australia

Section 6
Other disclosures

6.1 New standards and interpretations

The Group has commenced its analysis of the likely impact upon transition to the following new accounting standards which has included understanding the possible impacts on transactions or balances based on the requirements of the relevant standard, and assessing whether these could be significant upon transition or going forward. Our preliminary assessment is set out below.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
AASB 9 Financial Instruments	AASB 9, published in December 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	Changes as a result of AASB 9 may result in earlier recognition of impairment losses on receivables, although the impact is not expected to be significant based on the nature of the Group's receivables and associated credit risk. The Group currently applies AASB 139 to account for hedging of interest rate exposures, which the Group expects will continue to qualify for hedge accounting under AASB 9. As a result, present hedge relationships are expected to continue to be treated as hedges under the new standard. The Group does not expect the new standard to significantly change the measurement or recognition of relevant financial instruments.
AASB 15 Revenue from contracts with customers	AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction contracts,* and AASB Interpretation 13 *Customer Loyalty Programmes*. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is currently assessing the potential impact on the measurement and timing of recognizing revenue from its fertility, imaging and other related services. The Group will continue to assess the impact of the standard and is evaluating various transition options provided in the standard in advance of its effective date.

6.1 New standards and interpretations (continued)

AASB 16 Leases	AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee, effective treating all leases as finance leases. This will effectively move all off-balance sheet operating leases onto the balance sheet. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.	The Group has completed a preliminary assessment of the potential impact on the Group's financial statements. resulting from the application of AASB 16 with respect to existing lease arrangements that fall within the scope of the standard (primarily in relation to property). As part of the impact assessment, the Group is evaluating the various transition options provided in the standard. The standard will have an impact on key financial measures such as EBITDA, total assets and total liabilities, due to AASB 16 replacing straight line expense for existing operating leases with a depreciation charge for the lease asset that comes on balance sheet and interest expense for the associated lease liability.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- AASB 14 Regulatory Deferral Accounts;
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to AASB 11);
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138);
- Equity Method in Separate Financial Statements (Amendments to AASB 127);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128);
- Annual Improvements to AASBs 2014–2016 Cycle – various standards;
- Investment Entities: Applying the Consolidation Exception (Amendments to AASB 10, AASB 12 and AASB 128);
- Disclosure Initiative (Amendments to AASB 101); and
- Agriculture: Bearer Plants (Amendments to AASB 116 and AASB 141).

6.2 Commitments

Capital commitments

The Group has $933,000 capital expenditure contracted for at the end of the reporting period but not recognised as a liability (FY16: $710,000).

Non-cancellable operating lease

The Group is party to various non-cancellable operating leases expiring within 1 to 10 years which are subject to various terms.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	2017 $'000	2016 $'000
within one year	5,581	5,281
later than one year but no later than five years	11,763	12,934
later than five years	773	2,506
	18,117	**20,721**

During the financial year ended 30 June 2017, $6,172,000 was recognised as an expense in the income statement in respect of operating leases (FY16: $5,959,000).

6.3 Parent entity disclosures

The individual financial statements for the parent entity show the following aggregate amounts:

	2017 $'000	2016 $'000
Results of parent entity		
Profit after tax	24,833	24,754
Other comprehensive income	-	-
Total comprehensive income	**24,833**	**24,754**
Financial position of the parent entity at year end		
Current assets	459,337	434,098
Total assets	463,203	437,964
Current liabilities	(31,155)	(10,036)
Total liabilities	(31,155)	(10,036)
Net assets	**432,048**	**427,928**
Total equity of the parent entity comprising of:		
Share capital	428,347	428,347
Retained earnings	3,701	(419)
Total equity	**432,048**	**427,928**

Contractual commitments for the acquisition of property, plant & equipment

The parent entity did not have any capital commitments for the acquisition of property, plant or equipment as at 30 June 2017 (FY16: nil).

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of cross guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries.

6.4 Deed of cross guarantee

The below listed entities are parties to a Deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly Owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The below companies represent the parties to the Deed of cross guarantee ('closed group') for the purposes of the legislative instrument entered into on 26 June 2014;

- Monash IVF Group Ltd
- Monash IVF Group Acquisition Pty Ltd
- Healthbridge Enterprises Pty Ltd
- Healthbridge Shared Services Pty Ltd
- Healthbridge IVF Holdings Pty Ltd
- ACN 169060495 Pty Ltd
- ACN 166701819 Pty Ltd
- My IVF Pty Ltd
- Healthbridge Repromed Pty Ltd
- Monash IVF Holdings Pty Ltd
- Palantrou Pty Ltd
- ACN 166702487 Pty Ltd
- Repromed Finance Pty Ltd
- Monash IVF Finance Pty Ltd
- Repromed Holdings Pty Ltd
- Monash IVF Pty Ltd
- Repromed Australia Pty Ltd
- Repromed NZ Holding Pty Ltd
- Monash Ultrasound Pty Ltd
- Monash Reproductive Pathology & Genetics Pty Ltd
- Monash IVF Auchenflower Pty Ltd
- Yoncat Pty Ltd
- Adelaide Fertility Centre Pty Ltd
- Sydney Ultrasound for Women Partnership
- Ultrasound Diagnostic Services Trust No. 2
- ACN 604384661 Pty Ltd
- Ultrasonic Diagnostic Services Pty Ltd
- Fertility Australia Pty Ltd
- Fertility Australia Trust
- HBIVF Johor Bahru Lab Pty Ltd

An extract of the consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are party to the Deed of cross guarantee, after eliminating all transactions between parties to the Deed of cross guarantee, for the year ended 30 June 2017 is set out as follows:

6.4 Deed of cross guarantee (continued)

	2017 $'000	2016 $'000
Extract of the statement of profit or loss and other comprehensive income		
Profit/(Loss) before tax	40,389	35,699
Income tax (expense)/benefit	(10,968)	(10,709)
Net profit after tax	**29,421**	**24,990**
Other comprehensive income/(loss)		
Profit for the period	29,421	24,990
Items that may be subsequently be reclassified to profit or loss		
Cash flow hedges	(67)	165
Tax on cash flow hedges	20	(49)
Other comprehensive income for the year, net of tax	**29,374**	**25,106**
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	(133,800)	(140,665)
Profit for the period	29,421	24,990
Dividends paid - ordinary shares	(20,714)	(18,125)
Retained earnings at the end of the financial year	**(125,093)**	**(133,800)**

Statement of financial position	2017 $'000	2016 $'000
Current assets		
Cash and cash equivalents	2,872	6,269
Trade and other receivables	3,931	3,131
Other assets	7,216	4,730
Total current assets	**14,019**	**14,130**
Non current assets		
Investment in subsidiaries	13,027	15,873
Trade and other receivables	98	28,711
Property, plant and equipment	15,061	10,841
Intangible assets	249,539	217,502
Total non current assets	**277,725**	**272,927**
Total assets	**291,744**	**287,057**
Current liabilities		
Trade and other payables	19,281	18,296
Borrowings	(116)	564
Current tax liability	118	8,392
Employee benefits	7,603	6,285
Total current liabilities	**26,886**	**33,537**
Non current liabilities		
Trade and other payables	352	393
Borrowings	95,779	94,437
Employee benefits	962	582
Deferred tax liability	1,679	812
Total non current liabilities	**98,772**	**96,224**
Total liabilities	**125,658**	**129,761**
Net assets	**166,086**	**157,296**
Equity		
Contributed equity	428,347	428,347
Reserves	(137,168)	(137,251)
Retained earnings	(125,093)	(133,800)
Total equity	**166,086**	**157,296**

As at 30 June 2017, the Deed of cross guarantee has a net current asset deficiency of $12,867,000 (FY16: $19,407,000). As per the basis of preparation note, the Group considers the Deed of cross guarantee to be a going concern.

6.5 Auditors' remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2017 $	2016 $
Audit services - KPMG		
Audit and review of financial statements	284,000	284,000
Other services - KPMG		
Taxation services	75,517	169,711
Other Auditors (Non-KPMG)		
Audit and review of financial statements	8,990	8,805
Total services	**368,507**	**462,516**

6.6 Events occurring after the reporting period

On 21 August 2017, a fully franked final dividend of 4.5 cents per share was declared. The record date for the dividend is 7 September 2017 and the payment date for the dividend is 13 October 2017.

As announced on 27 July 2017 to the ASX, the Group and Dr. Lynn Burmeister agreed to resolve all issues in dispute between them. This includes proceedings in the Supreme Court of New South Wales and the Supreme Court of Victoria.

Except as disclosed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or 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.

1. In the opinion of the directors of Monash IVF Group Ltd (the 'Company'):

   (a) the consolidated financial statements and notes set out on pages 50 to 86 and the Remuneration report on pages 15 to 30 in the Directors' report, are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001*; and

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

2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 6.4 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Corporations (Wholly Owned Companies) Instrument 2016/785.

3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.

4. The Directors draw attention to page 51 to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at Sydney, 21st day of August 2017

Mr. Richard Davis
Chairman

21 August 2017

Mr. Benjamin ('James') Thiedeman
Chief Executive Officer

21 August 2017

Independent Auditor's Report

To the shareholders of Monash IVF Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Monash IVF Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Goodwill ($229.1 million)

Refer to Note 2.3 to the Financial Report

The key audit matter	How the matter was addressed in our audit
At 30 June 2017 the Group's balance sheet includes goodwill, contained within three cash generating units (CGUs) – Australian IVF, International IVF and Ultrasound. A key audit matter for us was the Group's annual testing of goodwill for impairment. We focused on the significant forward-looking assumptions the Group applied in its value in use models, including: • Forecast operating cash flows, growth rates and terminal growth rates – the Group has experienced changes to market conditions in certain jurisdictions in the current year which has impacted certain CGUs. These conditions impact our consideration of forecasting risk; • Discount rate – these vary according to the conditions and environment the specific CGU is subject to from time to time. The Group uses a range of internal and external sources as inputs to the model assumptions. Forward-looking assumptions can be prone to greater risk for potential bias, error and inconsistent application. Where the Group has not met prior year forecasts in relation to a specific CGU we factor this into our assessment of forecast assumptions. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: • We considered the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards; • We assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas; • We compared the forecast cash flows contained in the value in use models to Board approved forecasts; • We assessed the accuracy of previous Group forecasting to inform our evaluation of forecasts included in the value in use models, and applied increased scepticism to CGU forecasts if there was a shortfall in performance against previous forecasts; • We considered the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range to identify those assumptions at higher risk of bias or inconsistency in application. We also assessed the related impairment breakeven points for these assumptions in order to identify those CGUs at higher risk of impairment and to focus our further procedures; • We challenged the Group's forecast cash flow and growth assumptions in light of changes to market conditions. We compared key events to the Board approved plan and strategy. We applied increased scepticism to forecasts in the areas where previous forecasts were not achieved. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, its past

	performance, business and customers, and our industry experience; • Working with our valuation specialists, we independently developed a discount rate range considered comparable using publicly available market data for comparable entities and assessed the appropriateness of entity-specific risk factors; and • We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting.

Other Information

Other Information is financial and non-financial information in Monash IVF Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's report was the Directors' Report, Remuneration Report, Appendix 4E, Corporate Governance Statement, ASX Full Year Results Announcement and FY17 Results Presentation. The Chairman's Report, CEO/Managing Director's Report, CFO Report, Group Medical Director's Report, Scientific Directors' Report and Shareholder Information are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Monash IVF Group Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 15 to 30 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
21 August 2017