Appendix 4D
Half year report

Name of entity

Monash IVF Group Limited

ABN or equivalent company reference: ACN 169 302 309

1. Reporting period

Report for the half year ended	31 December 2017
Previous corresponding period is the half year ended	31 December 2016

2. Results for announcement to the market

				A$'000
Revenue from ordinary activities *(item 2.1)*	down	2.2%	to	76,951
Earnings before interest, tax, depreciation & amortisation (EBITDA)(1)	down	17.7%	To	20,784
Earnings before interest and tax (EBIT)	down	20.9%	to	18,387
Net profit (loss) from ordinary activities after tax attributable to members *(Item 2.2 & 2.3)*	down	20.9%	to	12,053

(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
Interim dividend			
Current reporting period	6 APR 2018	3.40¢	3.40¢
Previous corresponding period	7 APR 2017	4.30¢	4.30¢
Final dividend			
Previous corresponding period	13 OCT 2017	4.50¢	4.50¢
Record date for determining entitlements to the interim dividend (*item 2.5*):	9 March 2018		

Brief explanation (*item 2.6*): Please refer to the commentary in the review of operations and activities section of the directors' report and the Half Year Results Announcement accompanying this Half Year Report.

3. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing (per share)	($0.38)	($0.40)
Net asset backing (per share)	$0.70	$0.68

4. Details of entities over which control has been gained or lost
Not Applicable

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

	Current period $A'000	Previous corresponding period - $A'000
FY17 Final Dividend Paid (paid 13/10/17)	$10,593	-
FY16 Final Dividend Paid (paid 14/10/16)	-	$10,593
Total dividends paid in period	$10,593	$10,593

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 Trust ("trading as Compass Fertility")	25%	$56
Hobart IVF Pty Ltd ("trading as Fertility Tasmania")	35%	$11

8. Foreign Entities accounting standards
Not Applicable.

9. Audit of the financial report

The financial report has been subject to a half year audit review by KPMG and no review dispute or qualification is contained in the attached independent review report for the half year ended 31 December 2017.

Monash IVF Group Limited

ACN 169 302 309

Interim Financial Report

31 December 2017

Content

The directors present their report together with the consolidated financial report of Monash IVF Group Ltd ('the Group'), being the Company (Monash IVF Group Ltd), its subsidiaries, and the Group's interest in associated entities as at and for the six months ended 31 December 2017, and the auditor's review report thereon.

Directors

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

Directors
Mr Richard Davis
Ms Christina Boyce
Mr Neil Broekhuizen
Mr Josef Czyzewski
Dr Richard Henshaw
Ms Zita Peach
Mr David Morris (commenced on 13 November 2017)
Mr James Thiedeman (resigned effective 10 November 2017)

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

The Group delivered a decline of 20.9% in reported net profit after tax (NPAT) and before non-controlling interests to $12.1m whilst Group revenues were 2.2% down to $77.0M for the six month period ended 31 December 2017 (1H18).

$m	1H18	1H17	% Change
Group Revenue	$77.0	$78.7	(2.2%)
EBITDA[(1)(2)]	$20.8	$25.3	(17.7%)
EBIT	$18.4	$23.2	(20.9%)
NPAT attributable to ordinary shareholders	$12.1	$15.2	(20.9%)
EPS (cents)	5.12	6.48	(21.0%)
DPS (cents)	3.4	4.3	(20.9%)
	31 Dec 17	30 Jun 17	
Net Debt	$94.1	$92.0	
Net Debt to Equity ratio [(3)]	56.9%	56.3%	
Return on Equity (pa.) [(4)]	15.8%	18.6%	

(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 31 December 2017.
(4) Return on Equity is calculated using NPAT for the previous 12 month period divided by the average equity in the same period.

Overview of the period is:

- Our Financial Result in 1H18 has been impacted by operational challenges related to changing competitive dynamics and investments in building a strong foundation for the future.
- We have a demonstrated track record of strong performance, and we maintain our view of the long term Stimulated Cycles growth rate at 3%.
- ARS International growth continues to be strong. We will leverage our capability to build our International operations.
- Diagnostic and Ultrasound capabilities have grown as we build our in-house capability and expand our Ultrasound footprint.
- NPAT is down 20.9%, which is inline with AGM guidance and inclusive of one-off non recurring costs associated with a doctor departure and restraint legal proceedings, recruitment of key personnel and organisation re-structure ($0.7m).
- We have developed a strategic roadmap that will guide us to deliver sustainable value creation, while making a significant contribution to social good.

Revenue

Group revenues declined by $1.7m or 2.2% to $77.0m compared to pcp.

The following details key movements in revenue:

- Assisted Reproductive Medicine (ARS) revenue in Australia decreased by 5.9% with Australian Stimulated Cycles decreased by 10.5% to 4,078 from 4,557 in the pcp. This was primarily due to:
    - the loss of activity from the departure of a high volume Victorian IVF clinician;
    - market weakness and competitive pressure in the South Australian Stimulated Cycle market; and
    - the impact from transitioning the Mosman IVF clinic from low intervention to a Full Service IVF offering;
- ARS revenue in our International business increased by 25.8% to $3.9m with Stimulated Cycles increasing by 22.2% to 413. This was primarily due to relocation to a new state-of-the art facility in KL to provide the capacity to meet growth in demand and deliver a positive customer experience;
- NIPT revenue contributed an additional $1.6m of revenue. NIPT volumes increased by 30.3% to 6,282 of which all were performed in-house. This complements our Ultrasound business and provides an improved customer experience;
- Pre-implantation genetic screening/diagnosis declined by 5.6% in 1H18 commensurate with ARS volume decline, with a penetration rate of 20%;
- Ultrasound Scan volumes were 38,097 which is 1.5% growth on the pcp;
- Average revenue price increases contributed 2% revenue growth in Australia with a 5% price increase in our International operations.

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

Patient Treatments

IVF Treatment numbers	1H18	1H17	% Change
Monash IVF Group – Australia			
Stimulated cycles	4,078	4,557	-10.5%
Cancelled cycles	404	504	-19.8%
Frozen embryo transfers	3,184	3,167	0.5%
Total IVF Patient Treatments	**7,666**	**8,228**	**-6.8%**
Monash IVF Group – International			
Stimulated cycles	413	338	22.2%
Cancelled cycles	34	28	21.4%
Frozen embryo transfers	334	301	11.0%
Total IVF Patient Treatments	**781**	**667**	**17.1%**
Total Monash Group			
Stimulated cycles	4,491	4,895	-8.3%
Cancelled cycles	438	532	-17.7%
Frozen embryo transfers	3,518	3,468	1.4%
Total IVF Patient Treatments	**8,447**	**8,895**	**-5.0%**
Stimulated cycles as a % of Total Patient Treatments	53.2%	55.0%	
Other Treatment numbers	**1H18**	**1H17**	**% Change**
Ultrasound Scans	38,097	37,529	1.5%
Pre-implantation Genetic Screening/Diagnosis	823	872	-5.6%
Non Invasive Prenatal Testing (NIPT)	6,282	4,820	30.3%

The Group's Australian Stimulated Cycles declined by 10.5% due primarily to the loss of activity from the departure of a high volume Victorian IVF clinician, market weakness and competitive pressure in the South Australian Stimulated Cycle market and the impact from transitioning the Mosman IVF clinic from low intervention to a Full Service IVF offering. The Group's Australian Frozen Embryo Transfers grew by 0.5% as patient's return to access stored embryos. Cancelled cycles have declined at a greater rate than Stimulated Cycles as a result of more effective scientific protocol. International Stimulated Cycles increased by 22.2% reflecting growth from the move to a new state-of-the-art facility in Kuala Lumpur, Malaysia in late FY17. Pre-implantation Genetic Screening/Diagnosis (PGS/D) has declined by 5.6% due primarily to the decline in Australian Stimulated Cycles.

Ultrasound scan volumes grew by 1.5% to 38,097 and have stabilised after a 9.0% decline in 1H17. Scan volumes across the Monash Ultrasound for Women business in Melbourne continued to grow at 7% during the period, however Sydney Ultrasound for Women declined in Q1 but has stabilised in Q2. The in-house non-invasive prenatal testing (NIPT) capability replacing previously outsourced service has been a success, demonstrating 30.3% increase on pcp in testing as we maintain leading edge science, capturing the full margin, maximising the patient pipeline from the Ultrasound business and offering this technology to external customers.

Expenditure before interest and tax

The table below provides a summary of 1H18 Expenditure before interest and tax compared to 1H17:

IVF Treatment numbers	1H18 $M	1H17 $M	% Change
Employee expenses	23.8	23.3	2.1%
Clinician fees	13.1	13.0	0.8%
Raw materials and consumables used	7.2	6.6	9.1%
Marketing and advertising expense	2.2	2.4	-8.3%
IT and communications expense	1.3	1.3	0.0%
Property expenses	4.5	3.9	15.4%
Professional and other fees	1.6	1.2	33.3%
Other costs	2.4	1.7	41.2%
Total operating expenditure	**56.1**	**53.4**	**5.1%**
% of Group revenues	72.9%	67.9%	
Depreciation and amortisation	2.4	2.0	20.0%
Total expenditure before interest and tax	**58.5**	**55.4**	**5.6%**
% of Group revenues	76.0%	70.5%	

Total operating expenditure increased by $2.7m or 5.1% as we invest in building a strong foundation for the future in our Operations, People, Science & Technology and International business whilst incurring certain one-off non-recurring costs ($0.7m). The following details key expenditure movements in 1H18 against 1H17:

- **Employee benefits expense** increased by $0.5m or 2.1%. The increase is due to general wage inflation and labour investment in scientific departments;
- **Clinician fees** increased by $0.1m or 0.8%. Clinician fees across the majority of the Group are variable to IVF and Ultrasound activity except for certain jurisdictions whereby remuneration is fixed via salary arrangements and theatre sessional fees which have not declined at the same rate as revenue. Doctor recruitment continues to ensure appropriate succession plans and long-term growth;
- **Raw material and consumables** increased by $0.6m or 9.1%. The increase is primarily due to higher consumables to deliver on the in-house non-invasive prenatal testing capability, with 6,282 tests performed in-house (602 tests in pcp);
- **Marketing and advertising expense** decreased by $0.2m or 8.3% due to cost reductions from brand consolidation, lower patient material and printing. In addition, digital marketing has increased whilst replacing higher cost marketing activities without reducing direct inbound enquiry activity;
- **Property expenses** increased by $0.6m or 15.4% which is primarily due to annual rental increases across the clinic network and higher rent expense at the new Kuala Lumpur clinic;
- **Professional and other fees** increased by $0.4m or 33.3% due primarily to non-recurring one-off costs associated with a doctor departure and restraint legal proceedings ($0.4m);
- **Other Costs** increased by $0.7m or 41.2% due to investment in International business development activities, logistic costs associated with transportation of blood samples for non-invasive prenatal testing, additional research & development, equipment maintenance and non recurring one-off costs associated with recruitment of key personnel and organisation re-structure ($0.3m).

Expenditure before interest and tax (continued)

- **Depreciation and amortisation** increased by $0.4m or 20.0% primarily due to period on period impact from implementation of in-house non-invasive prenatal testing capability and from the new Kuala Lumpur clinic.

Net interest expense

Net finance cost is $1.7m and in line with pcp as interest rates on variable debt was lower during the period offset by slightly higher average debt.

Taxation

The effective tax rate has reduced to 28.3% compared to 29.1% in pcp. 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	1H18	1H17	% change	1H18	1H17	% change
Revenue	73.0	75.6	(3.4%)	3.9	3.1	25.8%
Reported EBITDA	19.2	24.2	(20.7%)	1.6	1.1	49.5%
NPAT	10.8	14.5	(25.5%)	1.2	0.8	50.0%

Australia

Australia revenues declined by $2.6m (-3.4%) to $73.0m vs prior year due to:

- 10.5% decline in Stimulated Cycles in Australia as a result of a high volume Victorian doctor departing in Q2, weak market conditions and competitive environment in South Australia and transition of the Mosman, Sydney clinic from low intervention to a Full Service clinic;
- Partly offset by full six-month revenue contribution from in-house non-invasive prenatal testing and average price increase impact of 2%.

Australia EBITDA decline of $5.0m (-20.7%) to $19.2m with EBITDA margin declining by 5.7% to 26.3%. EBITDA margin has reduced due to the high leverage impact from lower Stimulated Cycles; investment in our Operations, People, Science & Technology; and one-off non recurring costs associated with a doctor departure and restraint legal proceedings, recruitment of key personnel and organisational restructure ($0.7m).

International

The International segment demonstrated strong growth supported by the move to the new Kuala Lumpur premise which is providing greater capacity to meet demand. International revenues increased by $0.8m (25.8%) to $3.9m vs pcp driven by Patient Treatment growth of 17.1% to 781 as Stimulated Cycles increased by 22.2% whilst frozen embryo transfers increased by 11.0%.

International EBITDA increased by 49.5% to $1.6m as a result of volume growth as well as EBITDA margin improvement by 5.5% to 41.3% as incremental volumes leverage the cost base.

Statement of financial position and Capital Metrics

Balance Sheet ($m)	Dec 17 $M	Jun 17 $M	% change
Cash and cash equivalents	5.8	3.5	65.7%
Other current assets	13.3	11.6	14.7%
Current liabilities	(22.4)	(25.0)	10.4%
Net working capital	(3.3)	(9.9)	66.7%
Borrowings	(99.9)	(95.5)	(4.6%)
Goodwill & Intangibles	255.6	254.7	0.4%
Property Plant & Equipment	16.4	16.8	(2.4%)
Other assets/liabilities	(3.3)	(2.5)	(32.0%)
Net assets	**165.5**	**163.5**	**1.2%**
Capital Metrics	Dec 17	Jun 17	+/-
Net Debt ($m)	**94.1**	**92.0**	**(2.1)**
Leverage Ratio (Net Debt / EBITDA)	2.11x	1.88x	(0.23)
Interest Cover (EBITDA / Interest)	13.4	14.8	(0.96)
Net Debt to Equity Ratio	56.9%	56.3%	(0.6%)
Return on Equity	15.8%	18.6%	(2.8%)
Return on Assets	8.9%	10.3%	(1.4%)

The Group's balance sheet remains in a strong position with stable capital management metrics and ratios including net debt to equity (56.9%), ROE (15.8%) and ROA (8.9%). Net debt increased by $2.1m to $94.1m after $5.1m income tax payments and $3.0m capital expenditure. As at 31 December 2017, $99.9m of the Syndicated Debt Facility is drawn with $55.1m 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 2019. The Group has significant headroom in banking covenant ratios including leverage ratio of 2.11x (<3.50) and Interest cover ratio is 13.4x (>3.0).

Statement of cash flows

	1H18 $M	1H17 $M	Change%
Net operating cash flow (pre-tax)	**17.7**	**21.4**	**(17.3%)**
Net operating cash flow (post-tax)	**12.5**	**9.1**	**37.4%**
Cash flow from investing activities	(3.0)	(3.2)	(6.3%)
Cash flow from financing activities	(7.4)	(10.0)	(26.0%)
Net cash flow movement	2.1	(4.1)	
Closing cash balance	**5.8**	**4.2**	**38.1%**
Free cash flow[1]	9.5	5.9	61.0%

(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 85.0% (1H17: 84.6%);
- Net operating cash flow after tax is $12.5m, $3.4m higher than the prior year due to timing of tax payments whereby the final FY16 tax return payment was paid during 1H17;
- Investing activities for $3.0m capital expenditure including system enhancements, scientific equipment upgrades and new service centre and ultrasound clinic in Gold Coast;
- Financing activities include $10.6m fully franked final FY17 dividend payment;
- Free cash flow increased by $3.6m predominately as a result of higher tax payments in 1H17 partly offset by lower pre-tax operating cash flow.

Dividends

On 26 February 2018, the Board declared a fully franked FY18 interim dividend of 3.4 cents per share reflecting a decline of 20.9% against prior year. The record date for the dividend is 9 March 2018 and the payment date for the dividend is 6 April 2018.

Outlook

We anticipate the reported FY18 NPAT will be approximately 25% lower than pcp due to operational performance, the impact of a high volume doctor departure and investments to build a stronger foundation for sustainable growth.

We have developed a clear strategic roadmap and we will execute our Strategic and Operational priorities, and in doing so we will create sustainable shareholder value, delivering strong returns into the future, while making a significant contribution to social good.

Matters subsequent to the end of the financial year

Other than the dividend declared on 26 February 2018 as noted previously, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

Environmental regulations

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

Likely developments

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

Indemnification and insurance of officers and auditors

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

Lead auditor’s independence declaration

The lead auditor’s independence declaration is set out on page 12 and forms part of the directors’ report for the six months ended 31 December 2017.

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

Richard Davis
Chairman

Dated in Melbourne this 26th day of February 2018

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

To the Directors of Monash IVF Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Monash IVF Group Limited for the half-year ended 31 December 2017 there have been:

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

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

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
26 February 2018

Monash IVF Group Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the six months ended 31 December 2017

	Consolidated	
		Restated
	31/12/2017	31/12/2016
	$'000	$'000
Revenue	76,951	78,704
Employee benefits expense	(23,835)	(23,317) [1]
Clinician's fees	(13,122)	(13,045) [1]
Raw materials and consumables used	(7,152)	(6,594)
IT and communications expense	(1,300)	(1,302)
Depreciation & amortisation expense	(2,397)	(2,028)
Property expense	(4,471)	(3,878)
Marketing and advertising expense	(2,196)	(2,406)
Professional and other fees	(1,648)	(1,209)
Other expenses	(2,443)	(1,693)
Operating Profit	**18,387**	**23,232**
Finance income	4	11
Finance expenses	(1,720)	(1,749)
Net finance costs	**(1,716)**	**(1,738)**
Profit before tax	**16,671**	**21,494**
Income tax expense	(4,717)	(6,251)
Profit for the period	**11,954**	**15,243**
Other comprehensive income / (loss)		
Items that are or may be reclassified subsequently to profit and loss:		
Cash flow hedges	135	256
Tax on cash flow hedges	(41)	(77)
Exchange difference on translation of foreign operations	173	(216)
Other comprehensive loss for the period, net of tax	**267**	**(37)**
Total comprehensive income for the period	**12,221**	**15,206**
Profit attributable to:		
Owners of the company	12,053	15,243
Non-controlling interests	(99)	-
Profit for the period	**11,954**	**15,243**
Total comprehensive income attributable to:		
Owners of the company	12,320	15,206
Non-controlling interests	(99)	-
Total comprehensive income for the period	**12,221**	**15,206**
Earnings per share		
Basic earnings per share (cents)	5.12	6.48
Diluted earnings per share (cents)	5.12	6.45

[1] For improved transparency and consistency with internal management reporting purposes, certain salaried employees have been re-classified to clinician fees for comparative purposes. As such, the prior year comparatives have been restated by $788,000 to reflect these changes.

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

Monash IVF Group Limited
Condensed consolidated statement of financial position
As at 31 December 2017

	Consolidated	
	31/12/2017	**30/06/2017**
	$'000	**$'000**
Current assets		
Cash and cash equivalents	5,785	3,502
Trade and other receivables	4,995	5,072
Current tax assets	939	-
Other assets	7,392	6,476
Total current assets	**19,111**	**15,050**
Non current assets		
Equity accounted investment	656	654
Trade and other receivables	95	112
Plant and equipment	16,358	16,750
Intangible assets	255,641	254,688
Total non current assets	**272,750**	**272,204**
Total assets	**291,861**	**287,254**
Current liabilities		
Trade and other payables	14,867	17,304
Borrowings	(120)	(116)
Current tax liability	-	166
Employee benefits	7,609	7,603
Total current liabilities	**22,356**	**24,957**
Non current liabilities		
Trade and other payables	312	352
Borrowings	100,068	95,779
Employee benefits	917	962
Deferred tax liability	2,735	1,688
Total non current liabilities	**104,032**	**98,781**
Total liabilities	**126,388**	**123,738**
Net assets	**165,473**	**163,516**
Equity		
Contributed equity	428,347	428,347
Reserves and others	(136,860)	(137,357)
Profits reserve	34,878	33,418
Retained earnings	(160,892)	(160,892)
Total equity attributed to ordinary shareholders of Monash IVF Group Ltd	**165,473**	**163,516**
Total equity	**165,473**	**163,516**

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

Monash IVF Group Limited
Condensed consolidated statement of changes in equity
For the six months ended 31 December 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 2016	**428,347**	**(136,811)**	**24,513**	**(160,892)**	**(282)**	**154,875**	**-**	**154,875**
Profit for the period	-	-	15,243	-	-	15,243	-	15,243
Total other comprehensive income	-	-	-	-	(37)	(37)	-	(37)
Total comprehensive income for the period	**-**	**-**	**15,243**	**-**	**(37)**	**15,206**	**-**	**15,206**
Transactions with owners in their capacity as owners directly in equity								
Issue of ordinary shares in Monash IVF Group Ltd	-	-	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	118	118	-	118
Dividends paid	-	-	(10,593)	-	-	(10,593)	-	(10,593)
Consolidated Balance at 31 December 2016	**428,347**	**(136,811)**	**29,163**	**(160,892)**	**(201)**	**159,606**	**-**	**159,606**
Consolidated Balance at 30 June 2017	**428,347**	**(136,811)**	**33,418**	**(160,892)**	**(546)**	**163,516**	**-**	**163,516**
Profit for the year	-	-	12,053	-	-	12,053	(99)	11,954
Total other comprehensive income	-	-	-	-	267	267	-	267
Total comprehensive income/(loss) for the period	**-**	**-**	**12,053**	**-**	**267**	**12,320**	**(99)**	**12,221**
Transactions with owners in their capacity as owners directly in equity								
Issue of ordinary shares in Monash IVF Group Ltd	-	-	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	(12)	(12)	-	(12)
Non controlling interest	-	-	-	-	-	-	341	341
Dividends paid	-	-	(10,593)	-	-	(10,593)	-	(10,593)
Consolidated Balance at 31 December 2017	**428,347**	**(136,811)**	**34,878**	**(160,892)**	**(291)**	**165,231**	**242**	**165,473**

(1) The Other Equity Reserve represents the difference between the Issued Capital in Healthbridge Enterprises Pty Ltd and the consideration paid to acquire Healthbridge Enterprises Pty Ltd on 26 June 2014.
(2) The profits reserve comprises the transfer of net profit for the period and characterises profits available for distribution as dividends in future periods.
(3) Other reserves include share-based payments, foreign currency translation and hedging reserve.

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

Monash IVF Group Limited
Condensed consolidated statement of cash flows
For the six months ended 31 December 2017

	Consolidated	
	31/12/2017	31/12/2016
	$'000	$'000
Cash flows from operating activities		
Receipts from customers	75,013	76,391
Payments to suppliers and employees	(57,343)	(54,968)
Cash generated from operations	**17,670**	**21,423**
Income tax paid	(5,135)	(12,279)
Net cash flows from operating activities	**12,535**	**9,144**
Cash flows from investing activities		
Payments for plant and equipment	(3,038)	(2,863)
Acquisition of controlled entities and associates	-	(315)
Net cash flows used in investing activities	**(3,038)**	**(3,178)**
Cash flows from financing activities		
Receipt of borrowings	12,400	9,000
Interest received	4	11
Proceeds from non-controlling interest	341	-
Receipt of loans receivable	12	38
Repayment of borrowings	(8,000)	(7,000)
Interest paid	(1,551)	(1,495)
Dividends paid	(10,593)	(10,593)
Net cash flows (used in)/provided by financing activities	**(7,387)**	**(10,039)**
Total cash flows from activities	**2,110**	**(4,073)**
Cash and cash equivalents at beginning of period	3,502	8,472
Effects of exchange rate changes on foreign currency cash flows and cash balances	173	(216)
Cash and cash equivalents at end of period	**5,785**	**4,183**

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

1 Reporting entity

Monash IVF Group Limited (the 'Company') is a company domiciled in Australia and listed on the Australian Stock Exchange. The Group is primarily involved in the area of assisted reproductive services and the provision of specialist womens imaging services. These condensed consolidated interim financial statements as at and for the six months ended 31 December 2017 comprises the Company and its subsidiaries (collectively referred to as the 'Group').

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2017 are available upon request from the Company's registered office at Level 1, 21-31 Goodwood Street, Richmond, Victoria and on the Company's website.

2 Basis of accounting

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

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

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and considered with any public announcements made by the company during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

These interim financial statements were authorised for issue by the Board of Directors on 26 February 2018.

Going concern

As at 31 December 2017, the Group has a net current asset deficiency of $3,245,000 (30 June 2017: $9,907,000).

The directors consider that there are reasonable grounds to believe the Group will be able to pay its debts as and when they fall due based on forecast operating cashflows which indicate that cash reserves are sufficient to fund operations, the availability of committed but undrawn external debt facilities, and given certain current liabilities such as employee entitlements and deferred income will not be fully settled in the short term to cause a liquidity shortfall.

Rounding of amounts

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

3 Significant accounting policies

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2017.

4 Use of estimates and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2017.

5 Seasonality of operations

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

6 Operating segments

Information about reportable segments

31/12/2017	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total reportable segments $'000
Revenue			
External revenue	73,037	3,914	76,951
Total Revenue	**73,037**	**3,914**	**76,951**
Other income	-	-	-
Total revenue and other income	**73,037**	**3,914**	**76,951**
EBITDA	**19,166**	**1,618**	**20,784**
Depreciation and amortisation expense	(2,314)	(83)	(2,397)
Interest revenue	4	-	4
Interest expense	(1,674)	-	(1,674)
Amortisation of bank facility fees	(46)	-	(46)
Profit before income tax expense	**15,136**	**1,535**	**16,671**
Income tax expense	(4,349)	(368)	(4,717)
Profit for the period	**10,787**	**1,167**	**11,954**
31/12/2017			
Segment assets	288,325	3,536	291,861
Acquisition of plant & equipment and intangibles	3,010	28	3,038
Segment liabilities	(125,739)	(649)	(126,388)

6 Operating segments (continued)

Information about reportable segments (continued)

31/12/2016	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total reportable segments $'000
Revenue			
External revenue	75,560	3,144	78,704
Total Revenue	**75,560**	**3,144**	**78,704**
Other income	-	-	-
Total revenue and other income	**75,560**	**3,144**	**78,704**
EBITDA	**24,178**	**1,082**	**25,260**
Depreciation and amortisation expense	(1,986)	(42)	(2,028)
Interest revenue	11	-	11
Interest expense	(1,694)	-	(1,694)
Amortisation of bank facility fees	(55)	-	(55)
Profit before income tax expense	**20,454**	**1,040**	**21,494**
Income tax expense	(5,991)	(260)	(6,251)
Profit for the period	**14,463**	**780**	**15,243**
30/06/2017			
Segment assets	284,521	2,733	287,254
Acquisition of plant & equipment and intangibles	5,764	839	6,603
Segment liabilities	(123,358)	(380)	(123,738)

7 Tax expense

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2017 was 28.3% (for the six months ended 31 December 2016: 29.1%). The 31 December 2017 tax rate is consistent with the tax rates applicable in each jurisdiction the Group operates in.

8 Property, plant and equipment and intangible assets

Acquisitions and disposals

During the six months ended 31 December 2017, the Group acquired assets with a cost of $3,038,000 (six months ended 31 December 2016: $2,863,000).

Capital commitments

As at 31 December 2017, the Group has capital commitment for plant and equipment contracted for amounting to $0.7m (as at 31 December 2016: $1.1m).

9 Equity

Movements in ordinary share capital

	Number of shares issued	$'000
Opening balance (1/7/16)	**235,395,438**	**428,347**
Issued in business combination	-	-
Closing balance (30/6/17)	**235,395,438**	**428,347**
Opening balance (1/7/17)	**235,395,438**	**428,347**
Issued in business combination	-	-
Closing balance (31/12/2017)	**235,395,438**	**428,347**

Dividends

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

10 Earnings per share

	Consolidated	
	31/12/2017	31/12/2016
Earnings per share	**Cents per share**	**Cents per share**
Basic earnings per share	5.12	6.48
Diluted earnings per share	5.12	6.45

	31/12/2017	31/12/2016
Profit attributable to ordinary shareholders	**$'000**	**$'000**
Profit after income tax attributable to the ordinary shareholders used in calculating basic and diluted earnings per share	12,053	15,243

	31/12/2017	31/12/2016
Weighted average number of shares (basic)	**Number**	**Number**
Issued ordinary shares at 1 July	235,395,438	235,395,438
Adjustments for calculation of diluted earnings per share	109,037	1,033,570
Weighted average number of ordinary shares (diluted) at 31 December	**235,504,475**	**236,429,008**

Basic earnings per share

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

Diluted earnings per share

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

11 Financial instruments

(a) Carrying amounts and fair value

Valuation methodology of financial instruments

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

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

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

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

11 Financial instruments (continued)

(a) Carrying amounts and fair value (continued)

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

Fair values

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

Level 1

Cash

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

Receivables/payables

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

Interest-bearing loans and borrowings

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

Level 2

Derivatives

The fair values of interest rate swaps are $496,000 (30 June 2017: $631,000) are calculated at the present value of estimated future cash flows using a market based yield curve sourced from available market data quoted for all major currencies.

Financial risk factors

The Group's activities expose its financial instruments to a variety of market risks, including interest rate risk. The half-year financial report does not include all risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial report for the year ended 30 June 2017. There have been no significant changes in risk management factors or policies since 30 June 2017.

12 Related parties

Parent and ultimate controlling party

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

Transactions with key management personnel

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

13 Subsequent events

On 26 February 2018, a fully franked interim dividend of 3.4 cents per share was declared. The record date for the dividend is 9 March 2018 and the payment date for the dividend is 6 April 2018.

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

Directors' declaration

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

1. The condensed consolidated financial statements and notes that are set out on pages 13 to 24 are in accordance with the Corporations Act 2001 including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the six month period ended on that date; and

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

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

3. This declaration has been made after receiving the declaration made to the directors for the half year ended 31 December 2017 in accordance with the 3rd edition of the ASX Corporate Governance Principles & Recommendations.

Signed in accordance with a resolution of directors:

Mr Richard Davis	Mr David N Morris
Chairman	Chief Executive Officer and Managing Director

Dated at Melbourne this 26th day of February 2018

Independent Auditor's Review Report

To the members of Monash IVF Group Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Monash IVF Group Limited.

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

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 31 December 2017;
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Half-year Period ended on that date;
- Notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises Monash IVF Group Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Monash IVF Group Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
26 February 2018