MONASH IVF GROUP

Life starts here

Annual Report 2018

Annual General Meeting

Thursday, 22 November, 2018
Monash Conference Centre
Seminar Room 2&3
Level 7, 30 Collins Street
Melbourne VIC 3000
at 2:00pm

Help bring life to the world

Our Mission:

We assist people to have healthy children and grow a family.

We deliver holistic care throughout the fertility journey.

We innovate and provide a complete range of fertility solutions; life starts here.

Monash IVF Group Limited

Monash IVF Group (Monash IVF Group Ltd or The Group) is a leading provider of Assisted Reproductive Services (ARS) in Australia and Malaysia. Since the early 1970s the Group has been a market leader in fertility care and over the last 40 years has grown into a specialised fertility and women's imaging group receiving international recognition for research, science and innovation, helping individuals and families achieve their goal of having a healthy baby.

Contents

Financial Highlights

2018

Revenue[1,2]

$150.6m

FY17 $155.2m
Down 2.9%

EBITDA[1,2]

$38.1m

FY17 $49.0m
Down 22.2%

NPAT[5]

$21.4m

FY17 $29.6m
Down 27.9%

Cash Conversion[6]

93.3%

FY17 93.9%
Down 0.6%

Basic EPS

9.1 cents

FY17 12.6 cents
Down 27.8%

FY18 Dividends

6.0 cents

FY17 8.8 cents
Down 31.8%

$m	FY18	FY17	% change
Group Revenue	$150.6	$155.2	(2.9%)
EBITDA[1,2]	$38.1	$49.0	(22.2%)
EBIT	$33.2	$44.6	(25.7%)
NPAT[5]	$21.4	$29.6	(27.9%)
EPS (cents)	9.1	12.6	(27.8%)
DPS (cents)	6.0	8.8	(31.8%)
	30 June 18	30 June 17	
Net Debt	$94.1	$92.0	
Net Debt to Equity ratio[3]	56.4%	56.3%	
Return on Equity (p.a.)[4]	12.8%	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 30 June 2018.

[4] Return on Equity is calculated using NPAT for the previous 12 month period divided by the average equity in the same period.

[5] NPAT attributable to ordinary shareholders.

[6] Pre-tax conversion of operating cashflow to EBITDA calculated as cash generated from operations divided by EBITDA.

Chairman's Report

40,000 births and counting

Since achieving the world's first IVF pregnancy in 1973, we have enabled the births of over 40,000 babies. Today, we operate 22 fertility clinics and 18 ultrasound clinics in Australia and Malaysia. We have 106 Fertility Specialists and Sonologists, 125 scientists and over 400 nursing, health professionals and corporate employees.

Throughout FY18, focus has been on our strategic roadmap created around our premium fertility offering, diagnostic services and domestic and international expansion. The roadmap has provided clear direction for delivering growth and sustainable shareholder value.

It has also guided us in developing and implementing our four operational priorities: Customer (Patient) Experience, Clinical Excellence, Scientific Leadership and People Engagement. Significant progress has been made in these areas, which you will read about in the coming pages.

Looking at the financial results for FY18, Monash IVF Group revenue was down 2.9% on prior comparative period (PCP). NPAT was down 27.9% on PCP. We had strong cash conversion of 93.3% and a total fully franked dividend of 6.0 cents per share.

Our Assisted Reproductive Services (ARS) Australia Business was significantly impacted by the departure of a Victorian Fertility Specialist in September 2017. However, this was partly offset by underlying market share growth, price increases and expanding our revenue base through our non-invasive prenatal testing (NIPT) offering. Excluding that departure, ARS Australia Premium Service Business remained solid, demonstrating Stimulated Cycle growth of 3% over PCP across our key markets.

We also recruited seven new Fertility Specialists in Australia in FY18, bringing our total Australian based Fertility Specialists to eighty-five.

Our Diagnostic Services business has grown including NIPT volume growth of 32.4% and Ultrasound scan volume growth of 0.9%. We continue to build our in-house capabilities and expand our Ultrasound footprint.

We established a new state-of-the art facility in Kuala Lumpur, Malaysia, which provides the capacity to meet growing demand and deliver positive customer (patient) experiences. In addition, we recruited a new experienced Fertility Specialist to support long-term growth and succession planning, which increased our number of specialists in Malaysia to six.

Our International Business Development Manager continues to review opportunities with a particular focus on expansion of Fertility and Diagnostic Services in Asia Pacific.

The Monash IVF Group Board and Management are committed to ensuring we remain at the forefront of our industry and deliver on our mission – to help bring life to the world. We are confident our strategic roadmap will enable us to do just that, in the short and long term.

Personally, I would like to thank the Management Team and the dedicated clinicians, nurses, scientists and staff for their contribution throughout FY18. Thanks must also go to our external stakeholders and our shareholders for their support over the past 12 months.

On behalf of my fellow Directors, we look forward to welcoming you at the Annual General Meeting in November.

Richard Davis
Chairman
Monash IVF Group

Creating sustainable value and making a significant contribution to social good

Our mission is to help bring life to the world. We have developed our strategic roadmap and operational plan to help us navigate our journey over the coming years.

Strategic priorities

Our strategic priorities will provide the focus for our activities to drive growth and create sustainable shareholder value. We will remain focused on our premium fertility offering for women and men, including providing holistic fertility solutions.

We will increase the integration of our Fertility and Diagnostics (Ultrasound and Genetics) operations.

We are establishing a more balanced business portfolio across Australia, increasing our focus in underpenetrated markets.

We are pursuing International opportunities, with a particular focus on expansion of Fertility and Diagnostic Services in Asia Pacific.

Operational priorities

We continue to focus on our four operating priorities of Customer (Patient) Experience, Clinical Excellence, Scientific Leadership, and People Engagement.

Our Customer (Patient) Experience provides for an empowering, convenient and consistent experience throughout the fertility journey. We have increased our marketing activities to generate awareness of our heritage, our Clinicians, our clinic network, our good science and our successful fertility outcomes. We have commenced the integration of our channels to increase access and improve our interaction with Customers; including online, social media, phone and face to face.

Clinical Excellence is focused on partnering with our Clinicians to deliver a superb clinical operation. We continue to strengthen our partnerships with our Clinicians and recruit new Clinicians to expand our operations in Australia. We recruited seven Fertility Specialists across Australia, bringing our total to eighty-five in Australia. This will help build a balanced State portfolio and succession planning for existing Clinicians.

Scientific Leadership is about advancing good science and innovative technology to improve the Customer experience, our clinical practices and most importantly to support our market leading success rates. We are harmonising our scientific methods and we continue to invest in our laboratories with state of the art technology and equipment. We are expanding our Diagnostic services in Ultrasound and Genetics, increasing referrals between Fertility and Diagnostic services. We continue to enhance our Research and Development capabilities to focus on advancing good science, clinical practice and commercialisation of new technologies. We will continue to be the pioneers and innovators of the future.

We are fortunate to have world renowned Clinicians, Nurses, Scientists and an incredible support team, all dedicated to assist people to have healthy children and grow a family. And we will strive to attract and retain the best people.

Financial summary

FY18 Revenue declined by 2.9% to $150.6 million and NPAT declined by 27.9% to $21.4 million.

Our ARS Australia Premium Service business, excluding departure of the Victorian Fertility Specialist in September 2017, remains solid demonstrating stimulated cycle growth of 3.0% in FY18 over PCP.

FY18 stimulated cycles in Victoria increased by 4.2% over PCP, excluding the impact of the departing Victorian Fertility Specialist. Stimulated Cycles in South Australia increased by 2.2%, including an 18.4% increase in the second half due to the commencement of new Fertility Specialists. Stimulated Cycles in our Queensland Premium Service business were maintained and we increased market share in the second half of 2018. In New South Wales, market share decreased due to the transition of the low intervention Mosman Clinic to a premium service clinic.

In Tasmania where we have a 35% holding in a Fertility Clinic, we demonstrated strong growth and also gained market share.

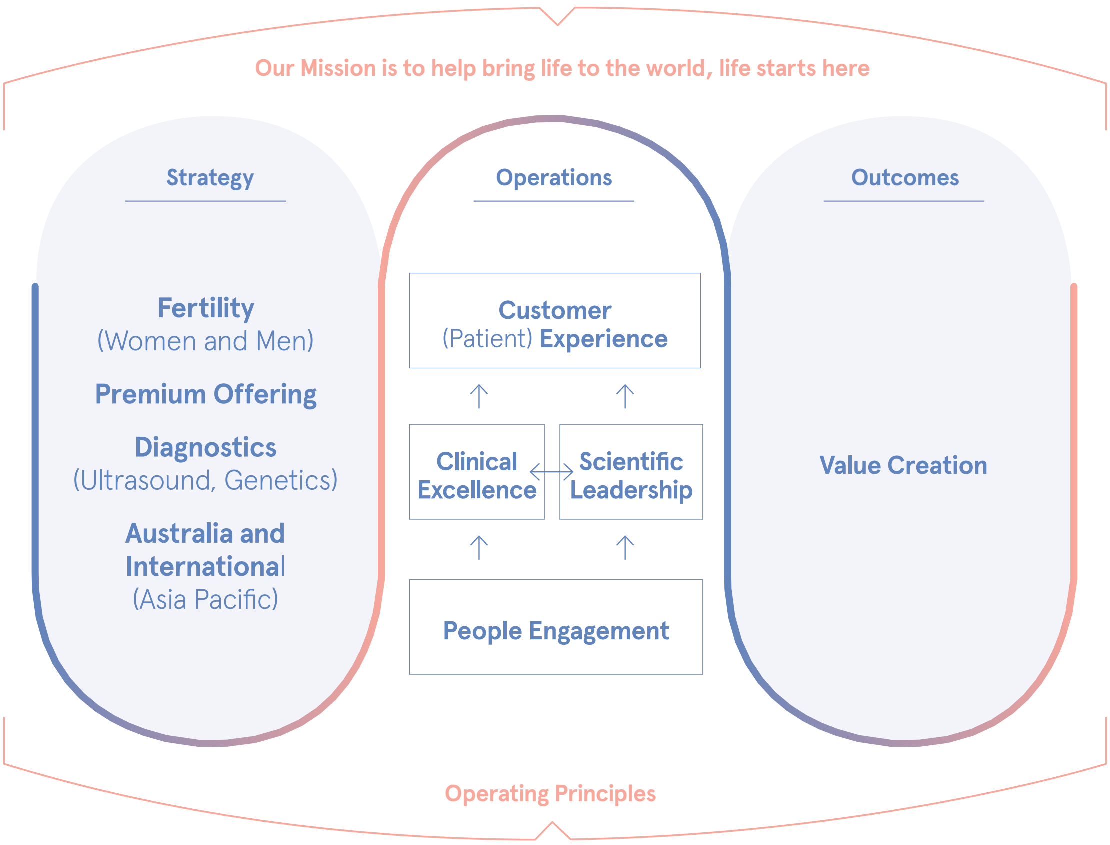
ARS International (Malaysia) business was a highlight with ARS Revenue increasing by 40.5% and representing 5.8% of Group Revenue and EBITDA growing 50.2% and representing 9.9% of Group EBITDA. Stimulated Cycles increased by 23.2% and total patient treatments increased by 24.2%. We have also recruited a new Fertility Specialist to support long term growth and succession planning, making a total of six Fertility Specialists in Malaysia.

Our Diagnostics business continues to grow as we build our in-house capabilities and leverage our Ultrasound service offering. Ultrasound volumes increased by 0.9% with the second half delivering 1.8% growth over PCP. NIPT volumes increased by 32.4% with 99.1% of tests performed in-house and contributed additional revenue of $2.4 million. Pre-implantation genetic screening/diagnosis decreased by 14.4%, which is commensurate with the decline in stimulated cycles, although the penetration rate to stimulated cycles remains stable at 19.1%.

It is an exciting time to have joined such an innovative Company, one with a strong heritage and at the forefront of fertility and diagnostic treatment. We will continue to build on our great success and work together to help bring life to the world.

David Morris
Chief Executive Officer
and Managing Director
Monash IVF Group

Strategic and Operational priorities



Chief Financial Officer's Report

Monash IVF Group's underlying business remains solid

We continue to invest in strategic growth initiatives despite FY18 NPAT being down 27.9% to $21.4m.

Furthermore, we absorbed one-off, non-recurring costs of $1.2m associated with a Fertility Specialist's departure in Victoria and restraint legal proceedings, recruitment of key personnel and organisation restructure.

Our revenue declined by 2.9% to $150.6m having been impacted by a Fertility Specialist departure, a decline in the Australian ARS market and the strategic repositioning of a low intervention clinic in Mosman to a premium service clinic. The pleasing aspect was that the revenue decline was partly offset by market share growth (excluding a specialists departure and Mosman clinic repositioning), price increases, strong growth in our Malaysian clinic and expanding our revenue base through our non-invasive prenatal testing offering.

We experienced strong revenue growth in Malaysia of 40.5% as the new state-of-the-art facility in Kuala Lumpur provided the capacity to meet the growth in demand and deliver a positive patient experience. The revenue growth resulted in an EBITDA increase of 50.2% to $3.8m.

We continue to have excellent cash flow generation and earnings conversion generating $25.9m in net operating cash flow after tax, in line with FY17. As a result of the strong cash flow we were able to fund dividend payments in the period of $18.6m and support a capital expenditure program of $6.6m in FY18 geared around patient management system enhancements, investment in new scientific equipment and upgrades.

Our Net Debt to Equity Ratio of 56.4% was stable at 30 June 2018 vs the prior year at 56.3% and we currently have access to debt capacity of $57.0m to support strategic growth opportunities.

All of our capital management metrics are comfortably compliant with our banking covenants with significant headroom. Our key leverage ratio was at 2.46 times and our interest cover was strong at 11.1 times. In addition, we delivered sound capital return metrics with a 12.8% return on equity and a 7.3% return on assets for FY18.

The board declared a 2.6 cents fully franked FY18 final dividend, bringing the total fully franked dividend in FY18 to 6.0 cents per share, 31.8% decline on prior year and represents a 65.9% dividend payout ratio.

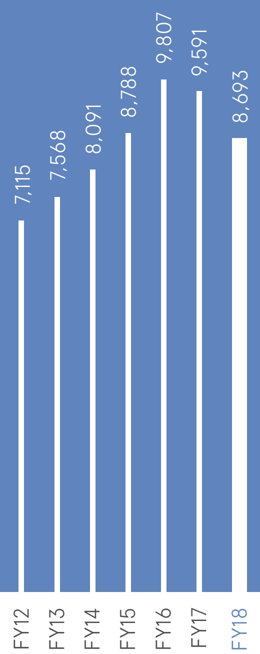
Michael Knaap
Chief Financial Officer
and Company Secretary
Monash IVF Group

Financial Performance

Stimulated Cycles

FY18 – 5 Year CAGR[1] of 2.8%

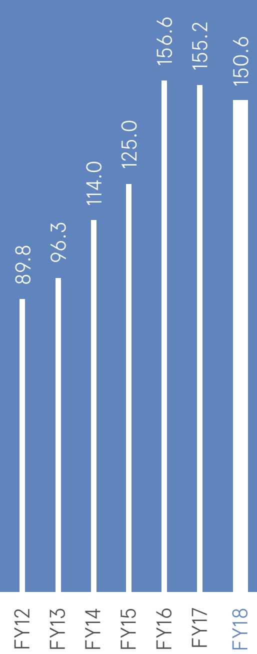
FY17 – 5 Year CAGR[1] of 6.2%



Revenue ($m)

FY18 – 5 Year CAGR[1] of 9.4%

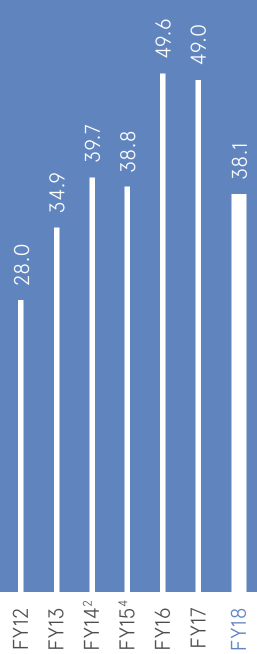
FY17 – 5 Year CAGR[1] of 11.6%



EBITDA[3] ($m)

FY18 – 5 Year CAGR[1] of 1.8%

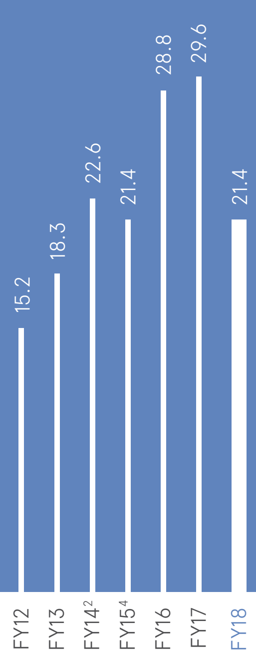
FY17 – 5 Year CAGR[1] of 11.8%



NPAT ($m)

FY18 – 5 Year CAGR[1] of 3.2%

FY17 – 5 Year CAGR[1] of 14.3%



1 CAGR is Compound Annual Growth Rate.

2 FY14 adjusted to exclude IPO costs and restructuring costs.

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

4 FY15 earnings were impacted unfavourably by below industry trend growth rates and one off start up & acquisition costs of $975k (Pre-tax).

An empowering and supportive journey

Fertility is often a long and emotional journey and we need to empower and support our Customers (Patients) throughout their fertility journey.

During the year we began implementing changes to empower and support our Customers to feel more confident and to help make their journey as convenient, seamless and consistent as possible.

We continue to optimise our brand position and marketing activities to generate increased awareness of our heritage, our Clinicians, our clinic network, our good science and our successful fertility outcomes.

We have also enhanced and integrated our communication channels to increase access and improve our interaction with customers. Our omni-channel strategy includes online, social media, phone and face-to-face.

We have established a 24/7 telephone service so people can contact us at any time for support throughout their fertility journey.

During the year we introduced Customer Net Promoter System (NPS). This tool is helping us measure the customer experience and provides a range of valuable insights that will inform future improvements to the customer experience.

The ultimate measure of customer satisfaction is to have a healthy child. Our clinicians, nurses and scientists are making that possible for more people every single day.

Turning clinical excellence into positive customer outcomes

Our pursuit of Clinical Excellence is at the heart of our drive for positive Customer outcomes. All our activities are undertaken to improve the fertility journey for our Customers and to assist them to have healthy children and grow their family.

During the year we have strengthened our partnerships with our Clinicians. This included increasing our focus on marketing, referrals, clinical service and scientific research.

We have recruited new Fertility Specialists to help build a balanced state portfolio and expand our Australian operations. The new Fertility Specialists are also part of our succession planning to ensure we continue to have the very best specialists for years to come.

We are developing more routine and agile clinical procedures that are compliant and scalable and we continue to upgrade our information technology and facilities across our clinic network. All our clinics which were audited during the year by the Fertility Society of Australia's Reproductive Technology Accreditation Committee, received certification with no restrictions.

The pursuit of Clinical Excellence is ongoing, so we will embrace new technology and evolve our clinical practices to deliver the best possible outcomes for our Customers.

Pioneers today and tomorrow

Our pioneering work over the decades has led to a Monash IVF Group baby now being born every 2.5 hours. We continue to lead the world in fertility treatment, science and research and are passionate about advancing good science to assist more people to have healthy children and grow their family.

Our Group Scientific Advisory Committee (GSAC) brings our scientific leaders together to share their knowledge and a Monash IVF Group way of working. During the year the GSAC commenced the harmonization of scientific methods and invested in our laboratories with state-of-the-art technology and equipment to continue to support our market leading success rates.

Expanded genetic services

Our state-of-the-art genetic testing services are now available at three additional sites: Sunshine in Melbourne and in the regional centres of Geelong in Victoria and Rockhampton in Queensland. The expansion has made PGT-A and PGT-M services, which assess embryos for chromosome errors and single gene disorders, more accessible for more patients.

Expanded egg freezing program

After recent legislative changes, South Australian women have the same fertility rights as all other Australian women. To help them preserve their fertility without needing to travel interstate, we have now expanded our social egg freezing program into South Australia.

Donor sperm supply secured

Monash IVF Group entered into an exclusive arrangement with an American company, California Cryobank for the supply of donor sperm. This means we now have a secure and reliable source of donor sperm and can capitalise on this growing market.

The authority in fertility

Our scientists were highly active in the scientific community throughout the year. They have published abstracts and papers in leading international journals and have given presentations and lectures at national and international conferences. We are especially proud that our scientists were the recipients of the prestigious Fertility Society of Australia Scientific Prize. We will continue to engage in developing the next generation of scientists.

Exciting developments

Significant progress was made in the development of non-invasive screening of embryos for pre-implantation genetic screening. This is one of the areas where we are leading the world and are currently conducting clinical trials.

We also developed our own culture media which provides a new way of culturing embryos. A patent was filed and it has been licensed to Vitrolife, a biotech company based in Sweden.

Research and Development

Monash IVF Group has continued its long heritage of being at the forefront of innovation with our research portfolio spanning the areas of IVF, Ultrasound and Genetics, through basic research, translational studies and applied projects. Our approach of capturing and supporting the research ideas of our clinicians, nurses and scientists ensures our research outcomes are quickly embedded into improving patient care. Our clinical staff are engaged in several clinical trials focused on improving pregnancy outcomes for patients including studies to optimise drug treatments as well as markers of endometrial receptivity. Examples of our basic research projects include the development of a new method for culturing embryos in partnership with the University of Adelaide. The patent of this technology has been licensed and this innovation will begin translation into clinical trials for our patients in FY19. Further, we have continued to develop our novel intellectual property (IP) in non-invasive genetic screening of embryos. We have completed our first pilot clinical trial and we are continuing to develop this exciting new genetic solution. Our pipeline of research will continue to provide innovative treatment solutions for patients with several new applications expected to be rolled out across the Group in FY19.

Defining our People Engagement Strategy

Attracting and retaining the best people has always been fundamental to the success of our Business. We conducted extensive consultation with our employees and with thoughtful analysis of the findings, we have developed a People Engagement Strategy that we believe will confirm Monash IVF Group as an Employer of Choice.

Our People Engagement objective has five key areas of engagement aimed at creating greater job satisfaction and empowering our people. They are: mission, performance, respect, reward and communication.

Mission

We are ensuring everyone within the organisation is aligned with our mission – help bring life to the world. We are working to articulate this mission effectively and to help our employees understand that what they do every day, regardless of their position, contributes to achieving our mission.

Performance

We are enhancing our performance and development processes to empower employees to take initiative and be accountable for delivering positive customer and commercial outcomes. During the year more than 70 of our leaders took part in our Leading for High Performance program.

Respect

We are committed to a diverse and culturally inclusive work environment and to ensure all employees are valued and safe in our workplace. One of our initiatives was to partner with Pride in Diversity, a Not-for-Profit Employer Support Program. The Program provides education to organisations to help foster respect and inclusiveness while supporting the LGBTIQ community.

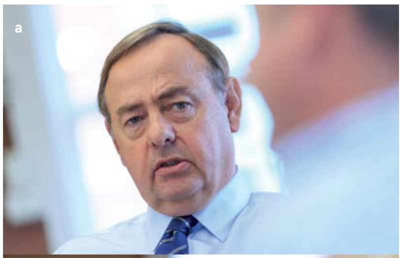
Reward

For many years our Service Award program has recognised those who have made a longstanding commitment to the organisation. This year, we began identifying new ways to recognise the exceptional contributions our Employees make to our Customers, their Colleagues and the Business. Going forward, rewards will be linked to employee contributions to our key operating objectives.

Communication

We have established a number of communication forums that provide regular and meaningful information for our employees. This access to information is raising engagement levels and better equipping our people to deliver our mission. We are also conducting more regular Engagement Pulse Checks, to check in with employees and continually improve our workplace.

Board of Directors



Mr Richard Davis (a)

Independent Chairman

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 (b)

Independent Non-executive Director

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.

Prior to that time, Josef had held various senior finance positions with BHP Billiton including VP Finance and Corporate Treasurer. 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 (c)

Independent Non-executive Director

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 is a former director of Cryosite Limited.

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 (d)

Independent Non-executive Director

Mr. Neil Broekhuizen is the Joint Chief Executive Officer of Ironbridge.

Neil has 25 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.

David Morris (e)

Chief Executive Officer & Managing Director

Mr David Morris joined Monash IVF Group in the Chief Executive Officer & Managing Director role in November 2017.

David has more than 20 years of leadership, international business development and strategy experience, previously working with Cochlear Limited, the global leader in implantable hearing solutions, as Chief Strategy Officer. Prior to joining Cochlear Limited, David worked at Accenture in the strategy practice.

David has extensive experience internationally and domestically in the healthcare, consumer produce, utilities and financial services industries. David holds degrees in Business and Applied Science from Monash University, Melbourne. He has also completed an Advanced Business Management Program at Kellogg School of Management in Chicago and is a graduate of the Australian Institute of Company Directors.

Dr Richard Henshaw [f]

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.

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.

Ms Zita Peach [g]

Independent Non-executive Director

Ms Zita Peach has more than 25 years of commercial experience in the pharmaceutical, biotechnology, medical devices and health services industries.

She worked for major industry players such as CSL Limited and Merck Sharp & Dohme, the Australian subsidiary of Merck Inc.

Ms Peach's most recent executive position was as Managing Director for Australia and New Zealand and Executive Vice President, South Asia Pacific for Fresenius Kabi, a leading provider of pharmaceutical products and medical devices to hospitals. Previously, Zita was Vice President, Business Development for CSL Limited, a position she held for ten years.

Ms Peach is a Non-executive Director of the ASX listed AirXpanders, Inc., Starpharma Holdings Limited, Pacific Smiles Group Limited and Visioneering Technologies, Inc. Zita is also a member of the Hudson Institute of Medical Research Board.

Ms Peach is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Marketing Institute.

Management Team

Top to bottom:

May Q, Loke
Centre Manager, KL Fertility & Gynaecology Centre

Professor Michelle Lane
Director of Research & Development

Brett Comer
Chief Operating Officer

Tom Sexton
General Manager – Queensland

Jan Lagerwij
International Business Development Manager

Tedd Fuell
Quality, Regulatory & Risk Manager

Michael Knaap
Chief Financial Officer & Company Secretary

Hamish Hamilton
Regional Manager-South Australia, Northern Territory & Ultrasound

Pierre Abou Haila
Chief Information Officer

Everard Hunder
General Manager Marketing

Malik Jainudeen
Finance & Strategy Manager

Peggy North
Chief People & Culture Officer

Clementina Singh
General Manager – New South Wales

Professor Luk Rombauts
Group Medical Director

Directors Report
For The Year Ended 30 June 2018

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 year ended 30 June 2018, and the auditor's 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
Mr David Morris (commenced on 13 November 2017)
Mr James Thiedeman (resigned effective 10 November 2017)

Information on the Directors' and Company Secretary's experience is outlined on page 24 and 25. 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

The Group reported a decline of 27.9% in reported net profit after tax (NPAT) and before non-controlling interests to $21.4m whilst Group revenues were 2.9% down to $150.6M for the year ended 30 June 2018 (FY18).

$m	FY18	FY17	% Change
Group Revenue	$150.6	$155.2	(2.9%)
EBITDA(1)(2)	$38.1	$49.0	(22.2%)
EBIT	$33.2	$44.6	(25.7%)
NPAT attributable to ordinary shareholders	$21.4	$29.6	(27.9%)
EPS (cents)	9.1	12.6	(27.8%)
DPS (cents)	6.0	8.8	(31.8%)
	30 Jun 18	**30 Jun 17**	
Net Debt (m)	$94.1	$92.0	
Net Debt to Equity ratio (3)	56.4%	56.3%	
Return on Equity (pa.) (4)	12.8%	18.6%	

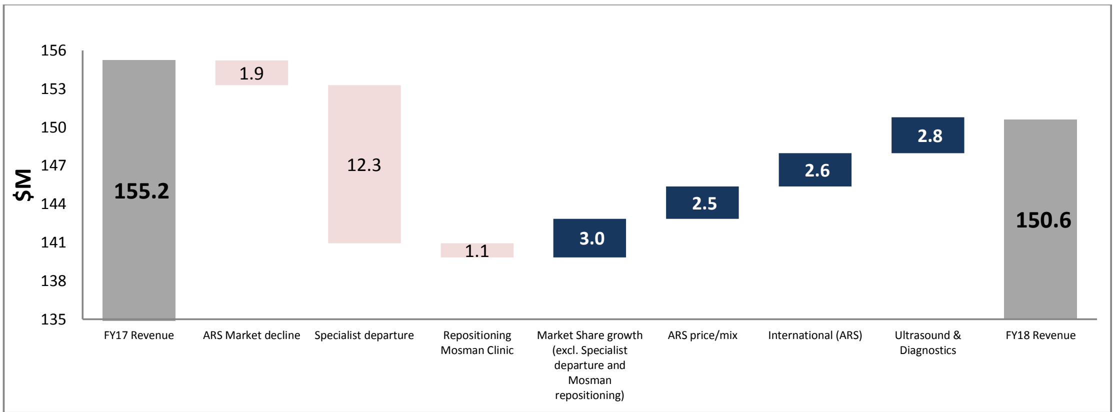
(1) EBITDA is earnings before interest, tax, depreciation and amortisation.
(2) EBITDA is a non IFRS measure which is used by the Group as a key indicator of underlying performance. This and any other non IFRS measure is not subject to audit or review.
(3) Net Debt to Equity is calculated using Net Debt divided by equity as at 30 June 2018.
(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 year is:

- ARS Australia Business has been significantly impacted by the departure of a Victorian Fertility Specialist ("Specialist") in September 2017
- ARS Australia Premium Service Business (excluding departure of a Specialist) remains solid demonstrating Stimulated Cycle growth of 3.0% in FY18 vs FY17
- 8 Fertility Specialists recruited across Australia and Malaysia
- ARS International growth continues to be strong demonstrating Stimulated Cycle growth of 23.2% in FY18 vs FY17 and contributed 5.8% of Group revenue
- Diagnostic services have grown including NIPT volume growth of 32.4% and Ultrasound scan volume growth of 0.9%. We continue to build our in-house capabilities and expand our Ultrasound footprint
- NPAT is down 27.9%, which is broadly inline with guidance provided in February 2018.

Revenue

Group revenues declined by $4.6m or 2.9% to $150.6m compared to pcp. Group Revenue has been impacted by a Specialist departure, a decline in the Australian ARS market partly offset by market share growth (excluding a Specialist departure and Mosman clinic repositioning), price increases, strong growth in our Malaysian clinic and expanding our revenue base through our non-invasive prenatal testing offering. A summary is outlined in the waterfall chart below:



The following details key movements in revenue:

- **ARS Market Size**: $1.9m or 1.2% revenue decrease primarily due to market contractions in Victoria, South Australia and New South Wales;
- **Specialist departure:** $12.3m or 7.9% revenue decrease from departure of a Specialist;
- **Repositioning Mosman clinic**: $1.1m or 0.7% revenue decrease from transition of Mosman clinic to a premium service clinic;
- **Market Share growth** (excluding Specialist departure and Mosman repositioning to a Premium Service clinic): $3.0m or 1.9% revenue increase in Full Service business reflecting 3.0% Stimulated Cycle growth in our Key Markets in FY18 vs FY17;
- **ARS price/Mix**: $2.5m revenue increase from an average price increase of 2% across all ARS service offerings;
- **International**: $2.6m or 1.7% revenue increase from our Malaysian clinic as Stimulated Cycles increased by 23.2% from 689 to 849;

Revenue (continued)

- **Ultrasound & Diagnostics**: $2.8m or 1.8% revenue increase from the full year impact of offering NIPT services in-house and a 0.9% increase in ultrasound scans.

Patient Treatments

IVF Treatment numbers	FY18	FY17	% Change
Monash IVF Group – Australia			
Stimulated cycles	7,844	8,902	(11.9%)
Cancelled cycles	796	968	(17.8%)
Frozen embryo transfers	5,913	6,194	(4.5%)
Total IVF Patient Treatments	**14,553**	**16,064**	**(9.4%)**
Monash IVF Group – International			
Stimulated cycles	849	689	23.2%
Cancelled cycles	67	54	24.1%
Frozen embryo transfers	756	603	25.4%
Total IVF Patient Treatments	**1,672**	**1,346**	**24.2%**
Total Monash Group			
Stimulated cycles	8,693	9,591	(9.4%)
Cancelled cycles	863	1,022	(15.6%)
Frozen embryo transfers	6,669	6,797	(1.9%)
Total IVF Patient Treatments	**16,225**	**17,410**	**(6.8%)**
Stimulated cycles as a % of Total Patient Treatments	53.6%	55.1%	
Other Treatment numbers	**FY18**	**FY17**	**% Change**
Ultrasound Scans	75,457	74,808	0.9%
Pre-implantation Genetic Screening/Diagnosis	1,498	1,750	(14.4%)
Non Invasive Prenatal Testing (NIPT)	13,017	9,834	32.4%

The Group's Australian Stimulated Cycles declined by 11.9% due to the loss of activity from the departure of a Specialist, market weakness and the impact from transitioning the Mosman clinic from low intervention to a premium service clinic. The Group's Australian Frozen Embryo Transfers declined by 4.5% as the decline in Stimulated Cycles has impacted Frozen Embryo Transfers during H2 (0.5% growth in H1). Cancelled cycles have declined at a greater rate than Stimulated Cycles as a result of more effective scientific protocol. International Stimulated Cycles increased by 23.2% 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 14.4% due primarily to the decline in Australian Stimulated Cycles.

Ultrasound scan volumes grew by 0.9% to 75,457. The in-house non-invasive prenatal testing (NIPT) capability replacing previously outsourced service has been a success, demonstrating 32.4% increase on pcp.

Expenditure before interest and tax

The table below provides a summary of FY18 Expenditure before interest and tax compared to FY17:

	FY18 $M	FY17 $M	% Change
Employee expenses	47.9	46.3	(3.5%)
Clinician fees	26.1	25.5	(2.4%)
Raw materials and consumables used	14.5	13.1	(10.7%)
Marketing and advertising expense	4.0	4.7	14.9%
IT and communications expense	2.6	2.6	0.0%
Property expenses	9.3	8.1	(14.8%)
Professional and other fees	3.2	2.8	(14.3%)
Other costs	4.9	3.2	(53.1%)
Total operating expenditure	**112.5**	**106.3**	**(5.8%)**
% of Group revenues	74.7%	68.5%	
Depreciation and amortisation	5.0	4.4	(13.6%)
Total expenditure before interest and tax	**117.5**	**110.7**	**(6.1%)**
% of Group revenues	78.0%	71.3%	

Total operating expenditure increased by $6.2m or 5.8% as we invest in strategic growth initiatives including non-invasive prenatal testing capability, business development and an expanded Malaysian clinic. We had also incurred certain one-off non-recurring costs of $1.2m that is included in the above. The following details key expenditure movements in FY18 against FY17:

- **Employee benefits expense** increased by $1.6m or 3.5%. The increase is due to general wage inflation, labour investment in scientific departments and non-recurring one-off costs associated with organisation restructure ($0.4m);
- **Clinician fees** increased by $0.6m or 2.4%. 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 $1.6m or 10.7%. The increase is primarily due to higher consumables ($1.3m) to deliver on the in-house non-invasive prenatal testing capability, with 12,896 tests performed in-house (3,667 in-house tests in pcp);
- **Marketing and advertising expense** decreased by $0.7m or 14.9% due to cost reductions from brand consolidation, lower patient material and printing. In addition, digital marketing has increased, replacing higher cost marketing activities whilst increasing direct inbound enquiry activity;
- **Property expenses** increased by $1.2m or 14.8% 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 14.3% due primarily to non-recurring one-off costs associated with a Specialist departure and restraint legal proceedings ($0.4m);
- **Other Costs** increased by $1.7m or 53.1% 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 ($0.4m).

Expenditure before interest and tax (continued)

- **Depreciation and amortisation** increased by $0.6m or 13.6% primarily due to period on period impact from investment in non-invasive prenatal testing capability and a new Kuala Lumpur clinic.

Net interest expense

Net finance cost is $3.6m or $0.1m higher than pcp due to higher average debt during the year.

Taxation

The effective tax rate has increased to 28.5% compared to 28.0% in pcp due to research and development tax incentives recognised in FY17 for historical periods. The tax rate 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	FY18	FY17	% change	FY18	FY17	% change
Revenue	141.9	149.0	(4.7%)	8.8	6.2	40.5%
Reported EBITDA	34.3	46.4	(26.1%)	3.8	2.5	50.2%
NPAT	18.6	27.8	(33.2%)	2.6	1.9	41.2%

Australia

Australia revenues declined by $7.1m (-4.7%) to $141.9m compared to FY17 due to:

- 11.9% decline in Stimulated Cycles in Australia as a result of a Specialist departure in Q2, weak market conditions and transition of the Mosman, Sydney clinic from low intervention to a premium service clinic. This was partly offset by growth in South Australia and the Northern Territory; and
- Full year impact from in-house non-invasive prenatal testing partly reduced the revenue decline from IVF activity.

Australia EBITDA decline of $12.1m (-26.1%) to $34.3m with EBITDA margin declining by 7.0% to 24.2%. 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 Specialist departure and restraint legal proceedings, recruitment of key personnel and organisational restructure ($1.2m).

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 $2.6m (40.5%) to $8.8m vs pcp driven by Patient Treatment growth of 24.2% to 1,672 as Stimulated Cycles increased by 23.2% whilst frozen embryo transfers increased by 25.4%.

International EBITDA increased by 50.2% to $3.8m as a result of volume growth and EBITDA margin improved by 2.7% to 43.0% as incremental volumes leverage the cost base.

Statement of financial position and Capital Metrics

Balance Sheet ($m)	Jun 18 $M	Jun 17 $M	% change
Cash and cash equivalents	3.9	3.5	11.4%
Other current assets	12.8	11.6	(10.3%)
Current liabilities	(21.8)	(25.0)	12.8%
Net working capital	(5.1)	(9.9)	48.5%
Borrowings	(98.0)	(95.5)	(2.6%)
Goodwill & Intangibles	256.1	254.7	0.5%
Property Plant & Equipment	16.9	16.8	0.6%
Other assets/liabilities	(3.0)	(2.5)	(20.0%)
Net assets	**166.9**	**163.5**	**2.1%**
Capital Metrics	Jun 18	Jun 17	+/-
Net Debt ($m)	**94.1**	**92.0**	**(2.1)**
Leverage Ratio (Net Debt / EBITDA)	2.46x	1.88x	(0.58x)
Interest Cover (EBITDA / Interest)	11.1x	14.8x	(3.7x)
Net Debt to Equity Ratio	56.4%	56.3%	(0.1%)
Return on Equity	12.8%	18.6%	(5.8%)
Return on Assets	7.3%	10.3%	(3.0%)

The Group's balance sheet strength softened during FY18 with stable net debt to equity at 56.4%. Net debt increased by $2.1m to $94.1m after $9.6m income tax payments and $6.6m capital expenditure. As at 30 June 2018, $98.0m of the Syndicated Debt Facility is drawn with $57m 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 FY20. The Group has sufficient headroom in banking covenant ratios including leverage ratio of 2.46x (<3.50) and Interest cover ratio is 11.1x (>3.0).

Statement of cash flows

	FY18 $M	FY17 $M	Change%
Net operating cash flow (pre-tax)	**35.5**	**46.0**	**(22.8%)**
Net operating cash flow (post-tax)	**25.9**	**25.9**	**0.0%**
Cash flow from investing activities	(6.6)	(7.0)	(5.7%)
Cash flow from financing activities	(19.3)	(23.6)	(18.2%)
Net cash flow movement	0.1	(4.7)	
Closing cash balance	**3.9**	**3.5**	**11.4%**
Free cash flow[1]	19.3	18.9	2.1%

(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 93.3%, an improvement from 85.0% in 1H18;
- Net operating cash flow after tax is $25.9m, inline with pcp due to timing of tax payments whereby the final FY16 tax return payment was paid during FY17, which has offset the pre-tax net operating cash flow decline during FY18;
- Investing activities for $6.6m capital expenditure including patient management system enhancements, and investment in new scientific equipment and upgrades;
- Financing activities include $18.6m of fully franked dividends paid during the year;
- Free cash flow increased by $0.4m as pre-tax operating cash flow declines are offset as we move to more normalised corporate tax instalment arrangements.

Dividends

On 27 August 2018, the Board declared a fully franked FY18 final dividend of 2.6 cents per share bringing total dividends for FY18 to 6.0 cents per share reflecting a decline of 31.8% against prior year. The record date for the dividend is 7 September 2018 and the payment date for the dividend is 12 October 2018.

Outlook

We anticipate delivering NPAT growth in FY19 on pcp.

However, 1H19 NPAT is expected to decline by approximately 15% on pcp, as 1H18 included one quarter of ARS activity from a departed Specialist.

Business Strategies and Prospects for Future Financial Years

Monash IVF Group's mission is to help bring life to the World by assisting our Customers to have healthy children and grow their family. This is achievable through delivering holistic care throughout the fertility journey whilst innovating and providing a complete range of fertility solutions.

The Group's strategy remains consistent and focused on delivering sustainable value creation, whilst making a significant contribution to social good. Delivery of the Group's strategy is centred on the following key strategic and operating priorities that will guide the business:

Strategic Priorities

Initiative	Objective
Premium Fertility Solutions	Focus on our Premium Fertility offering for women and men; including holistic Fertility Solutions
Fertility and Diagnostics	Increase the integration of our Fertility and Diagnostics (Ultrasound and Genetics) operations
Balanced Business Portfolio	Establish a more balanced business portfolio across Australia, increasing our focus in underpenetrated markets
International Expansion	Pursue International opportunities, with a particular focus on expansion of Fertility and Diagnostic services in Asia Pacific

Operating Priorities

Priority	Initiative	Objective
Scientific Leadership	Scientific Practices	Harmonise scientific methods and invest in laboratories with state of the art technology and equipment to continue to support our market leading success rates
	Diagnostic Services	Expand our Diagnostic services in Ultrasound and Genetics, increasing referral between Fertility and Diagnostic services
	Research and Development	Enhance our Research and Development capabilities to focus on advancing good science, clinical practice and commercialisation of new technologies including Non-invasive PGS

Business Strategies and Prospects for Future Financial Years (continued)

Priority	Initiative	Objective
Clinical Excellence	Partner with Fertility Specialists	Strengthen our partnership with the Fertility Specialists increasing our focus on marketing, referrals, clinical service and scientific research
	Recruit Fertility Specialists	Recruit Fertility Specialists to expand our operations in Australia. This will help build a balanced State portfolio and succession planning for existing Fertility Specialists
	Clinical Practices	Harmonise routine and agile clinical procedures that are compliant and scalable. Continue to upgrade facilities and information technology

Priority	Initiative	Objective
Customer (Patient) Experience	Brand Positioning	Optimise our brand position and marketing activities to generate increased awareness of our heritage, our Fertility Specialists, our clinic network, our good science and our successful fertility outcomes
	Omni Channel Strategy	Enhance and integrate our channels to increase access and improve our interaction with Customers; including online, social media, phone and face to face
	National Donor Programme	Establish a national Donor programme, that supports people in need of sperm, eggs and embryos

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;

Business risks (continued)

- 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 Executive Team, 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.

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.

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). Customers 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, Customers 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 market entrants may participate in the Sector and gain market share; and
- Low cost offerings provided by competitors, reducing the Group's market share.

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 21-22.

Directors Report (Continued)

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. Prior to that time, Josef had held various senior finance positions with BHP Billiton including VP Finance and Corporate Treasurer. 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 is a former director of Cryosite Limited. 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 25 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 is currently a director 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 Peach has more than 25 years of commercial experience in the pharmaceutical, biotechnology, medical devices and health services industries. She worked for major industry players such as CSL Limited and Merck Sharp & Dohme, the Australian subsidiary of Merck Inc. Ms Peach's most recent executive position was as the Managing Director for Australia and New Zealand and Executive Vice President, South Asia Pacific for Fresenius Kabi, a leading provider of pharmaceutical products and medical devices to hospitals. Previously, Ms Peach was Vice President, Business Development, for CSL Limited, a position she held for ten years. Ms Peach is a Non-Executive Director of the ASX-listed AirXpanders, Inc., Starpharma Holdings Limited, Pacific Smiles Group Limited and Visioneering Technologies, Inc. Ms Peach is also a member of the Hudson Institute of Medical Research Board. Ms Peach is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Marketing Institute.
Mr David Morris Chief Executive Officer Managing Director	Mr David Morris joined Monash IVF Group in the Chief Executive Officer & Managing Director role in November 2017. David has more than 20 years of leadership, international business development and strategy experience, previously working with Cochlear Limited, the global leader in implantable hearing solutions, as Chief Strategy Officer. Prior to joining Cochlear Limited, David worked at Accenture in the strategy practice. David has extensive experience internationally and domestically in the healthcare, consumer products, utilities and financial services industries. David holds degrees in Business and Applied Science from Monash University, Melbourne. He has also completed an Advanced Business Management Program at the Kellogg School of Management (Northwestern University) and is a Graduate 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. 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 16 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:

Member	Attended	Held
Mr Richard Davis (Chair)	14	14
Mr Josef Czyzewski	14	14
Ms Christy Boyce	14	14
Ms Zita Peach	14	14
Mr Neil Broekhuizen	13	14
Dr Richard Henshaw	13	14
Mr David Morris	9	10
Mr Benjamin ('James') Thiedeman	3	4

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

Committee meetings

	ARC		REM	
Member	Attended	Held	Attended	Held
Mr Richard Davis	7	7	6	6
Mr Josef Czyzewski (ARC Chair)	7	7	6	6
Ms Christy Boyce (REM Chair)	7	7	6	6
Ms Zita Peach	n/a	n/a	6	6
Mr Neil Broekhuizen	7	7	n/a	n/a

Remuneration Report – Audited
For The Year Ended 30 June 2018

The Company's Directors present the 2018 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 2018 ("FY18"). 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 Group.

Introduction

Monash IVF Group has continued the alignment of the Remuneration Framework to enable the organisation to attract and retain the highest calibre within the market, including Directors, Executive Management and specialised personnel. The remuneration framework continues to be focused on driving a performance culture by linking Executive Remuneration to strategic objectives both financial and non-financial.

Executive Remuneration in FY18 remains at levels which are competitive with Executives in comparable companies and roles. Fixed remuneration continues to sit at or below the industry benchmark; a higher proportion of remuneration is at risk relative to industry peers. The Board varies rewards to management in accordance with short and long term financial performance.

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

KMP Changes in FY18

Following the resignation of Mr James Thiedeman (CEO), Monash IVF Group was pleased to announce the appointment of Mr David Morris (CEO). After joining Monash IVF Group as Chief Executive Officer (CEO) on 13 November 2017, David Morris made several changes to the Executive Leadership Team including the appointment of Mr Brett Comer, Chief Operating Officer on 30 April 2018.

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.

During FY18, the Remuneration and Nomination Committee met six times with full attendance by all members. The Remuneration and Nomination Committee may invite the CEO, CFO/Company

Secretary and Chief People & Culture Officer 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 FY18.

The Committee is responsible for reviewing and making recommendations to the Board in relation to:

- Group remuneration strategy and practices
- Non-executive director fee frameworks, policy regarding fee allocation, and fee pools sufficient for appropriate fee levels, board renewal, board roles, market practice, and director workload
- Overall remuneration framework for executives
- Terms and conditions underpinning Executive & Doctor Service Agreements (ESA), including restraint and notice period
- Eligibility for, and conditions of, incentive plans, including equity-based incentive plans
- Remuneration packages for all Senior Executives including structure and incentives
- Metrics and associated targets for STI and LTI
- Terms and conditions associated with STI and LTI plans including equity incentive plan rules, escrow and other restrictions on disposal
- Structure and quantum of Senior Executive termination payments
- Treatment of outstanding incentives (STI & LTI) in case of cessation of employment
- Exercise of malus or clawback if relevant to STI or LTI payments.

The Remuneration and Nomination Committee are also responsible for monitor and reporting to the Board;

- Remuneration relative to industry benchmarks
- Achievement of performance requirements for the payment of Incentives
- Diversity and pay equity.

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 2018. 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:

- Ensure employees including KMP and Executive Management are rewarded fairly and competitively according to role accountability, market positioning, skills, experience and performance.
- Alignment with the overall business strategy and ensure all policies and processes are observed to enable the attraction and retention of key personnel who create value for shareholders
- Be simple, flexible, consistent and scalable across the organization allowing for sustainable business growth
- Encompass long term and short term variable performance elements for Senior Management, Employees and Contractors who have the ability to impact overall organisation performance to best align incentives.
- Support the business strategy
- Reinforce Mission, Values and Culture and is reviewed regularly to ensure employees act ethically and responsibly
- Comply with all relevant legal and regulatory provisions.

2.0 Remuneration Policy

2.1 Executive remuneration policy

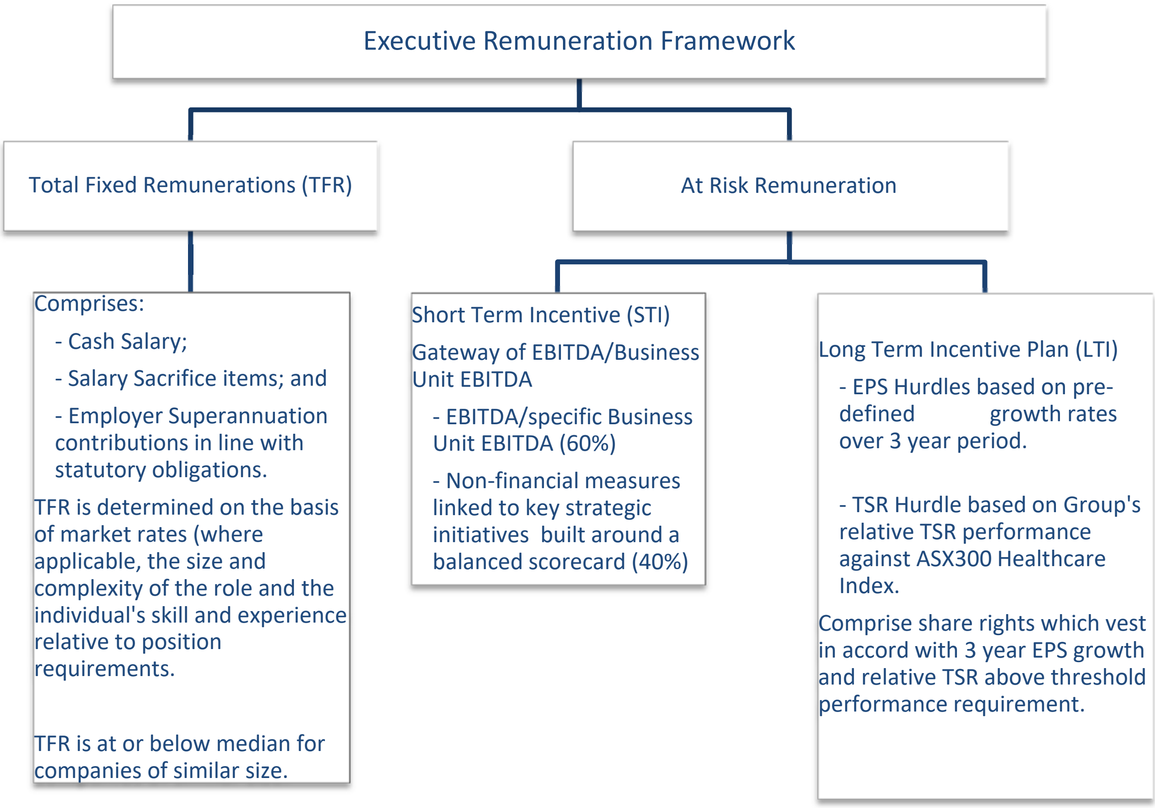
For the majority of senior executives, total remuneration consists of:

Total Fixed Remuneration (TFR)	•Reflecting the individuals' personal ability and experience •Considering labour market conditions as well as the scale of the Company and the size of the role •Including all standard leave provisions and Superannuation Guaranteed Contributions
Short Term Incentive (STI)	•Ensures a proportion of remuneration is tied to Group performance for the relevant financial year and this acts as a gateway for the payment of any STI •Eligible employees can only realise the personal component of their STI if pre-determined objectives against an agreed balanced scorecard and the Group financial gateway is achieved
Long Term Incentive (LTI)	•Ensures that a proportion of remuneration is tied to longer term Group performance measured over 3 years •Creates alignment with long term shareholder interests and reward the creation of sustainable shareholder wealth

The Group's remuneration framework for FY18 for the CEO, CFO and COO has three components, two of which vary with performance. TFR levels sit at or below median for similar organisations. A higher proportion of remuneration is at risk relative to peers. The remuneration structure aligns the remuneration opportunity with the level of position accountability.

The diagram below summarises the framework for FY18. The framework continues to be reviewed each year.

Remuneration Report – Audited (Continued)



Total fixed annual remuneration

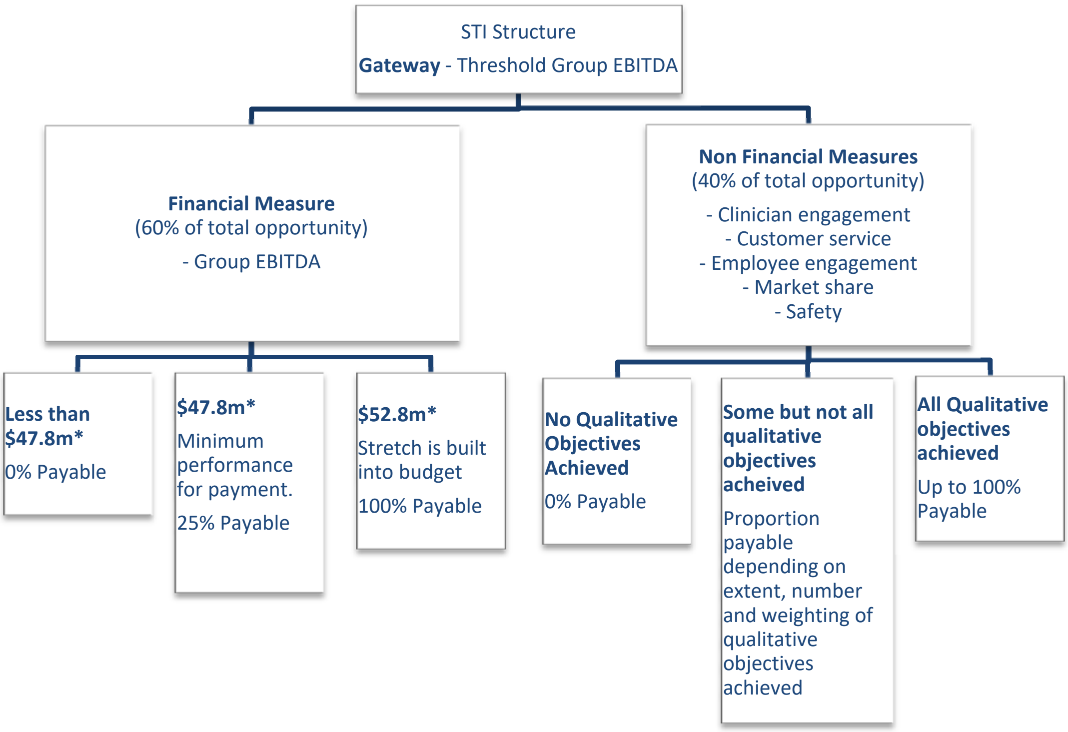
Total fixed remuneration (TFR) consists of base remuneration (which is calculated on a total cost basis) as well as non-monetary benefits and superannuation.

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.

KMP TFR sits at or below the median level for ASX listed companies of similar size (based on a market capital of $375M - $750M).

Short-term Incentives

Overview of FY18 Short term incentive plan:



* For all KMPs excluding the new CEO. Given the new CEO joined part way through the year, his targets were set post first half results

The Group's STI is a variable component of remuneration and is designed to focus on Strategic Objectives prioritised by the Board for the financial year. On achievement, STIs are received as cash. While a deferral of STI settled in equity has been considered, this would require a reduction in the LTI component of the framework to ensure both the total value of the package was not increased, and the cash opportunity was not decreased. Given that the board prefers the current balance in the framework's focus on both short term and long term priorities, that the prospect of LTI forfeiture on resignation already provides an element of retention, and that the equity component via LTI provides sufficient shareholder alignment comparable to or in excess of market standards, no change in the form of STI payment vehicle has been deemed appropriate at this time.

It has a financial performance gateway and will only be paid if the Group achieves a minimum EBITDA outcome consistent with the threshold associated with the financial component of the STI. Assuming the financial gateway is satisfied, 60% of the maximum opportunity is linked to financial outcomes (specifically Group EBITDA in the case of executive KMP) and 40% of the maximum opportunity is linked to non-financial measures.

The financial measure within the STI Plan is Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA is compared to budget EBITDA to assess achievement. EBITDA may be normalised to assess cash earning operating performance by adjustment for any amounts for individually significant, non-recurring, abnormal or unusual gains or losses of the Group. For the majority of the senior management team, including the CFO, threshold performance was set at $47.8m for FY18 At this level, 25% of the amount allocated for EBITDA achievement is payable.

Stretch EBITDA performance was set at $52.8m, 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. When the CEO joined in November 2017, it was agreed that the EDITDA metrics of his STI would be set once the impact of the departure of a Victorian doctor and market conditions had become clearer.

Threshold EBITDA performance was not achieved under the STI plan, established at the commencement of FY18 which applies to the CFO nor the revised threshold established post the first half results announcement for the CEO.

The qualitative non-financial measures defined for the CEO include Market Share, Employee Engagement, Clinician Engagement, Customer Service and Safety.

Achievement of the STI plan fluctuates widely over time. Since listing, the CEO has achieved 0% (FY15), 87% (FY16), 15% (FY17) and 0% (FY18), recognising that the occupant of the role has changed overtime. James Thiedeman left this role on 10 November 2017, and David Morris assumed this role in 13 November 2017. Since listing, the CFO has achieved 0% (FY15), 100% (FY16), 50% (FY17) and 0% (FY18) recognising that the occupant of this role has changed over time. Rodney Fox left this role in 31 August 2015, and Michael Knaap assumed this role in 31 August 2015.

Brett Comer was appointed to the role of COO on 30 April 2018; he was not eligible for an STI in FY18.

Long-term incentive plan

Executive KMP including CEO, CFO & COO are eligible to receive an LTI grant. Given the COO commenced employment in 30th April 2018, Brett Comer was not eligible for an LTI grant in FY18. Shareholder approval will be sought for a CEO FY2018 LTI grant at the 2018 AGM. This will be in addition to a FY2019 LTI grant. Seeking shareholder approval for the FY2018 CEO grant meets obligations conveyed prior to his acceptance of employment, aligns incentive opportunity with the financial year in which he was employed, and ensures longer term hurdle consistency with other employees.

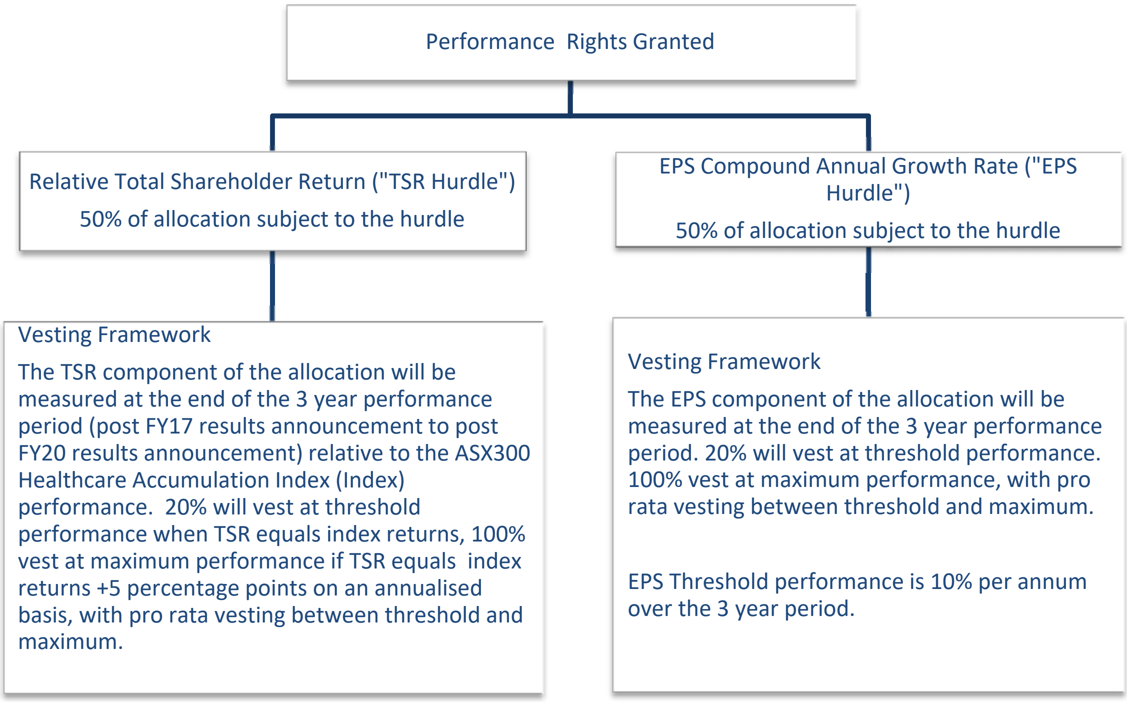
Grants under LTI Plan are subject to the following conditions:

- 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 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 FY18 Senior Executive LTI:



Performance Rights Granted
Senior Executive LTI – FY18
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 (David Morris) was granted 192,052 performance rights subject to shareholder approval at the 2018 AGM and CFO (Michael Knaap) 58,360 performance rights in FY18. For performance rights granted in FY18, the performance period is 3 years from 1 July 2017 to 30 June 2020 for EPS and 11 days after FY17 results announcement to 11 days after FY20 results announcement for TSR.

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 2017 to 30 June 2020. 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 for FY18 plan is

12.6c. 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 EPS growth of 15% per annum, 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 FY18 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 FY20.

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 2017 to 30 June 2020. The inclusion of relative TSR in the FY18 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 or is greater than Index +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 FY17 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 – FY17

The CEO (James Thiedeman) was granted 104,646 performance rights. These performance rights were forfeited on his resignation. The CFO (Michael Knaap) was granted 38,893 performance rights.

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.

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.

Senior Executive LTI Grant – FY16

The CEO (James Thiedeman) was granted 163,425 however; these performance rights were forfeited on his resignation. CFO (Michael Knaap) was granted 70,144 performance rights.

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 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.

EPS for the company FY16-FY18 has declined by 0.1c. On this basis the CFO will not receive the EPS component of his LTI. Relative TSR performance for the FY16 award will be assessed post the FY18 results announcement as outlined above.

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 $950,000. For the 2018 financial year, the fees payable to the current NEDs are $567,530 in aggregate.

Role	2018 ($)	2017 ($)
Base Fees		
Chair	139,050	135,000
Other Non-Executive Directors	86,520	84,000
Additional Fees		
Audit & Risk Committee – Chair	16,480	16,000
Audit & Risk Committee – Member	8,240	8,000
Remuneration & Nomination Committee – Chair	16,480	16,000
Remuneration & Nomination Committee – Member	8,240	8,000

The Board determined that Non-Executive Director fees will not increase in FY19, effective 1 July 2018.

3.0 Executive and Non-executive Remuneration

3.1 Remuneration Summary

The Executive Remuneration outcomes for FY18 for the CEO and KMP Executives reflect the performance outcomes achieved over the year.

Executive	Component	Commentary
CEO **David Morris** (commenced on 13th November 2017)	TFR	$500,000 per annum.
	STI	The CEO has the opportunity to earn an additional incentive of 60% of his total fixed remuneration package based on meeting certain defined criteria. The FY18 STI criteria were subject to both financial (60%) and non financial (40%) outcomes. Group EBITDA was the sole financial criteria. Given that the hurdle of forecasted Group EBITDA was not achieved, 0% of STI was payable.
	LTI (Performance Rights)	192,052 were granted to the CEO during FY18. These rights vest at the end of the 3 year performance period subject to meeting certain EPS and TSR outcomes.
	Notice Period	12 Months
	Relocation Expenses	Relocation Expenses reimbursed for the first year, up to the value of $50,000.
	Term of Agreement	No Fixed Term

CEO **James Thiedeman** (period of 1 July 2017 to 10 November 2017).	TFR	$484,635 per annum
	STI	$40,000 was paid in FY18 reflecting his contribution to successful enforcement of competitive restraints with respect to a departing doctor and other specific objectives. This was a critical KPI with a material consequences for value. The board assessment was that the KPI was achieved, and the payment was appropriate.
	LTI (Performance Rights)	CEO forfeited performance rights due to his resignation.
	Notice Period	n/a
	Term of Agreement	n/a
Executive Director **Dr Richard Henshaw**	TFR	$383,905 per annum. Dr Richard Henshaw was the only doctor during FY2018 who served as a Director. He was paid a salary by Monash IVF Group.
	STI	n/a
	LTI (Performance Rights)	n/a
	Notice Period	6 Months
	Term of Agreement	No Fixed Term
CFO **Michael Knaap**	TFR	$370,890 per annum.
	Higher Duties Allowance	A temporary Higher Duties Allowance of $50,000 was paid to the CFO for providing transition support until the new CEO began employment.
	STI	The CFO has the opportunity to earn an annual incentive up to 30% of his total fixed remuneration package based on meeting certain defined criteria. The FY18 STI criteria were subject to both financial (60%) and non financial (40%) outcomes. Group EBITDA was the sole financial criteria. Given that the hurdle of Group EBITDA was not achieved, 0% of STI was payable.
	LTI (Performance Rights)	58,359 were granted to the CFO during FY18. These rights vest at the end of the 3 year performance period subject to meeting certain EPS and TSR outcomes.
	Notice Period	3 Months
	Term of Agreement	No Fixed Term
COO **Brett Comer**	TFR	$350,000 per annum (Effective 30 April 2018).
	STI	The COO has the opportunity to earn an annual incentive up to 30% of his total fixed remuneration package based on meeting certain defined criteria. The COO was not eligible to receive an STI in FY18.
	LTI (Performance Rights)	No Performance Rights were granted in FY18
	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 (%)
David Morris	45.46	27.27	27.27
James Thiedeman	46.51	30.23	23.26
Richard Henshaw	100.00	-	-
Michael Knaap	64.52	19.35	16.13
Brett Comer	64.52	19.35	16.13

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	Full Financial Year
Executive Directors		
Mr David Morris	Chief Executive Officer	From 13 November 2017 to 30 June 2018
Mr James Thiedeman	Chief Executive Officer	From 1 July 2017 to 10 November 2017
Dr Richard Henshaw	Executive Director	Full Financial Year
Other KMP		
Mr Michael Knaap	Chief Financial Officer & Company Secretary	Full Financial Year
Mr Brett Comer	Chief Operations Officer	From 30 April 2018 to 30 June 2018

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

Remuneration Report – Audited (Continued)

2018

	Short term employee benefits				Post employment Benefits			Share Based payments	
	Salary & fees $	STI Cash incentive $	Other benefits $	Total $	Superannuation benefit $	Other long term benefits $	Termination benefits $	Rights $	Total $
Non-executive Directors									
Mr Richard Davis	142,037	-	-	142,037	13,493	-	-	-	155,530
Mr Josef Czyzewski	101,589	-	-	101,589	9,651	-	-	-	111,240
Ms Christina Boyce	101,589	-	-	101,589	9,651	-	-	-	111,240
Mr Neil Broekhuizen	86,539	-	-	86,539	8,221	-	-	-	94,760
Ms Zita Peach	86,539	-	-	86,539	8,221	-	-	-	94,760
Total Non-executive Directors	**518,293**	**-**	**-**	**518,293**	**49,237**	**-**	**-**	**-**	**567,530**
Executive Directors									
Mr David Morris[1]	286,125	-	16,504[2]	302,629	10,024		-	27,544	340,197
Mr James Thiedeman [3]	192,891	40,000[4]	-	232,891	7,426	-	-	-	240,317
Dr Richard Henshaw	363,752	-	-	363,752	18,751	-	-	-	382,503
Total Executive Directors	**842,768**	**40,000**	**16,504**	**899,272**	**36,201**		**-**	**27,544**	**963,017**
Other Key Management Personnel									
Mr Michael Knaap	350,446		50,000[5]	400,446	20,085		-	3,577	424,105
Mr Brett Comer [6]	44,417	-	-	44,417	4,220	-	-	-	48,637
Total Other Key Management Personnel	**394,863**		**50,000**	**444,863**	**24,305**		**-**	**3,577**	**472,745**
Total	**1,755,924**	**40,000**	**66,504**	**1,862,428**	**109,743**	**-**	**-**	**31,121**	**2,003,292**

(1) Mr David Morris commenced on 13 November 2017.
(2) Mr David Morris received a Relocation Allowance to assist in his transition from Sydney to Melbourne
(3) Mr James Thiedeman ceased his employment on 10 November 2017 his resignation, announced on 12 May 2017.
(4) Mr James Thiedeman received STI in FY18, reflecting his contribution to successful enforcement of competitive restraints with respect to a departing doctor and other specific objectives.
(5) Mr Michael Knaap received a Higher Duties Allowance for successfully providing transition support during the appointment of the CEO
(6) Mr Brett Comer commenced on 30 April 2018.

Remuneration Report – Audited (Continued)

2017

	Short term employee benefits				Post employment Benefits			Share Based payments	
	Salary & fees $	STI Cash incentive $	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.

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

	Type	Hurdles	Grant Date	Performance Period End Date	Balance of Unvested Equity 1 Jul 17	Balance of Unvested Equity 1 Jul 17	Granted in FY18		Vested in FY18		Lapsed or Forfeited		Balance of Unvested Equity 30 Jun 2018	Share Based Payment Expense FY18	Fair Value per Security
					Number	$	Number	$	Number	$	Number	$	Number	$	$
Mr. David Morris	Rights	EPS	29-Jan-18	30-Jun-20	-	-	96,026	114,271	-	-	-	-	96,026	19,702	1.19
	Rights	TSR	29-Jan-18	4-Sep-20	-	-	96,026	47,053	-	-	-	-	96,026	7,842	0.49
Total					**-**	**-**	**192,052**	**161,324**	**-**	**-**	**-**	**-**	**192,052**	**27,544**	
Mr. James [(1)] Thiedeman	Options	TSR	30-Jul-14	4-Sep-17	400,000	76,000	-	-	-	-	400,000	76,000	-	-	0.19
Total					**400,000**	**76,000**	**-**	**-**	**-**	**-**	**400,000**	**76,000**	**-**	**-**	
Mr. Michael Knaap	Rights[(2)]	EPS	29-Jun-16	30-Jun-18	35,072	57,869	-	-	-	-	35,072	57,869	-	- 26,760	1.65
	Rights	TSR	29-Jun-16	12-Sep-18	35,072	45,944	-	-	-	-	-	-	35,072	20,805	1.31
	Rights	EPS	17-Mar-17	30-Jun-19	19,447	32,865	-	-	-	-	-	-	19,447	- 3,966	1.69
	Rights	TSR	17-Mar-17	9-Sep-19	19,447	12,251	-	-	-	-	-	-	19,447	4,984	0.63
	Rights	EPS	29-Jan-18	30-Jun-20	-	-	29,680	35,319	-	-	-	-	29,680	6,090	1.19
	Rights	TSR	29-Jan-18	4-Sep-20	-	-	29,680	14,543	-	-	-	-	29,680	2,424	0.49
Total					**109,038**	**148,929**	**59,360**	**49,862**	**-**	**-**	**35,072**	**57,869**	**133,326**	**3,577**	

(1) Mr James Thiedeman tendered his resignation in FY17; therefore forfeits performance rights granted in FY16 and FY17.
(2) The EPS for the Company declined by 0.1c during FY16 and FY18 therefore these rights lapsed .

Remuneration Report – Audited (Continued)

Analysis of incentives included in remuneration

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

	Cash Incentive (2018)			Cash Incentive (2017)		
	Payable	% of Available Incentive		Paid	% of Available Incentive	
	$	Payable %	Not Payable %	$	Paid %	Not Paid %
Executive Directors						
Mr James Thiedeman[1]	**$40,000**	**N/A**	**N/A**	**$48,000**	**15%**	**85%**
Mr David Morris	**$0**	**0%**	**100%**	**-**	**-**	**-**
Dr Richard Henshaw	**-**	**-**	**-**	**-**	**-**	**-**
Other Key Management Personnel						
Mr Michael Knaap	**$0**	**0%**	**100%**	**$54,036**	**50%**	**50%**
Mr Brett Comer	**-**	**-**	**-**	**-**	**-**	**-**

[1] Mr James Thiedeman received $40,000 in FY18, reflecting his contribution to successful enforcement of competitive restraints with respect to a departing doctor and other specific objectives.

3.3 Loans to Key Management Personnel

No loans were issued to KMP during 2018.

3.4 Key Management Personnel ownership of shares

The following details Monash IVF Group ordinary shares held by Directors and KMP during 2018:

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	-	30,000	56,215
Mr Neil Broekhuizen	100,000	-	-	100,000
Ms Zita Peach	-	-	28,740	28,740
Executive Directors				
Mr David Morris	-	-	125,000	125,000
Mr James Thiedeman	850,758	-	-	-
Dr Richard Henshaw	1,108,602	-	-	1,108,602
Other Key Management Personnel				
Mr Michael Knaap	46,670	-	-	46,670
Mr Brett Comer	-	-	-	-
Total	**2,281,298**		**183,740**	**1,614,280**

In 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, whereas 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 2018 are summarised below:

Measure	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Revenue	150,736	155,182	156,561	124,955	114,012
EBITDA (1)	38,109	48,974	49,584	38,805	36,782
Net Profit After Tax (1) (2)	21,181	29,619	28,775	21,373	4,852
STI Payable	0%	17.8%	84.6%	0.0%	N/A
Total Shareholder Return (2)	-35%	3%	48%	-27%	N/A
Closing Share Price ($)	1.08	1.78	1.82	1.28	1.77
Dividend Per Share (cents)	6.00	8.80	8.50	6.95	N/A
Earnings per Share (cents) (2) (3)	9.1	12.6	12.2	9.2	2.0

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.

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

Matters subsequent to the end of the financial year

Other than the dividend declared on 27 August 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 45 and forms part of the directors' report for the year ended 30 June 2018.

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

Mr Richard Davis
Chairman

Dated in Sydney this 27th day of August 2018

Auditor's Independence Declaration

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 2018 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
27 August 2018

Corporate Governance Statement

This statement, approved by the Board, reports on the Group's key governance framework, principles and practices as at 30 June 2018. 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, David Morris, has responsibility for day-to-day management of Monash IVF Group Ltd in its entirety. David commenced as the Company's CEO & MD in November 2017 after the departure of the previous CEO & MD, James Thiedeman. David is supported by the Executive Team which is responsible for implementation of Board directed strategies at an operational level.

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.

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 and Company policy requires police checks for employees which are undertaken prior to commencement. 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 and Inclusion Policy

Monash IVF Group recognises that its business success is a reflection of the quality of its people, and is proud of its strong diverse and inclusive workforce. 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 is committed to supporting and further developing this through attracting, engaging and retaining diverse talent.

Monash IVF Group is a recognised employer under the Workplace Gender Equity Act 2012 and is compliant with the requirements of the Australian Government Workplace Gender Equity Agency. The breakdown of gender diversity at Monash IVF Group is listed below:

Organisational Level	Number of Women	% of Women
Non-Executive Directors	2	40%
Senior Management	5	36%
Team Leader	36	88%
Total Staff (inc above)	529	90%

The Board recognises the high proportion of women in the workplace and acknowledges that this gender diversity is reflective of the nature of the organisation. Senior Management is defined as Executive Directors and Management personnel in operational leadership positions generally specific to state leadership teams.

Monash IVF Group has in place a Flexible Work Arrangements policy to promote work life balance and to accommodate family care in line with the operational requirements of the business. During FY18, 25 employees utilised the Group's generous parental leave options. Flexible hour working arrangements either formally and informally are widely used across Monash IVF Group.

The Diversity and Inclusion 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 to diversity in accordance with the Company's Diversity and Inclusion Policy.

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

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)

Monash IVF Group is committed to providing a diverse and culturally inclusive work environment to ensure that all employees are valued and safe in their workplace. Monash IVF Group provides an Equal Employment Opportunity policy framework in relation to harassment, bullying, discrimination and grievance procedures. The policies are available to all employees via the company intranet. The Group also offers an employee assistance program that provides a confidential counselling service to support employee wellbeing in the workplace. To ensure a full understanding of respectful workplace obligations, the organisation utilises a Learning Management System, an online learning management portal to manage and track the full compliance of all respectful workplace topics. In FY18 Monash IVF Group partnered with Pride in Diversity, a national not-for-profit employer support program for LGBTI workplace and is specifically designed to assist employers and employees with all aspects of inclusion.

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. The Chairman performs individual appraisals on each director.

The annual review completed by Monash IVF Group Ltd Board was undertaken in August 2018. 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.

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 has oversight of this process.

The Chairman of the Board performs the CEO performance review against annual key performance indicators. David Morris' performance was formally reviewed in August 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 FY18. 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 David Morris	CEO and Managing Director	No – CEO and Managing Director	13/10/2017
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

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 and Inclusion 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 David Morris	100%	100%	75%	100%	25%	0%	100%	75%	100%	50%
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 FY18 the percentage of Board members considered independent was 71%. 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.

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 2018.

The current Audit and Risk Management 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

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 and MD, Mr David Morris, and CFO, Mr Michael Knaap, reviewed and verified that the FY18 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 Management 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 22 November 2018 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 2017. 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 informed in a timely manner 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 of 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 22 November 2018.

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 Management 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 at least three Board Directors that are non-executive independent Directors.

7.2 Risk Management

Monash IVF Group provides a framework for risk management which supports the achievement of our strategic and operational objectives. We are committed to maintaining an organisational philosophy and culture which ensures that effective risk management is integrated into day to day activities.

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 reviewed by the Risk Owners, Leadership teams and Executive Team help determine whether risks are still current, controls are effective and identify any emerging risks, which are then flagged to the Audit and Risk Management Committee. An annual review of Risk Management is undertaken annually and was completed in May 2018.

Specialist software used to record adverse events and feedback ensures that exposures to risk are continually monitored to ensure they are adequately understood and managed. This system of reporting also allows for formal monitoring of patient safety, identification training needs and informs clinical policy decision making.

7.3 Internal Audit

Monash IVF Group Ltd has 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.

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 customers, 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 customers, donors and any children born as a result of treatment provided by the Group.

All Monash IVF facilities meet the appropriate standards for accreditation including:

- 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 to ISO 15189 and relevant NPAAC Guidelines.
- Our diagnostic imaging (ultrasound) facilities are accredited to the Department of Health Diagnostic Imaging Accreditation Scheme (DIAS).
- 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 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 customer 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 framework covers policies on general safety in the workplace.

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, 18 specialist women's imaging sites, 5 service centres, 2 specialised diagnostic laboratories, 3 day hospitals and one central administration headquarters, we consider our environmental impact is 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 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 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 and securely. Numerous levels of redundancy and backup are built into the IT systems providing a high degree of system availability and protection of data. An independent third party review of the Group's cyber security risk was performed during FY18. Recommendations from this review will further enhance cyber security measures in place.

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 the 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 customers 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.

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, CFO and International Business Development Manager have long term incentives that are equity based. The COO will be issued with equity based remuneration in FY19. The participants have no mechanisms available to limit the risk associated with that scheme.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 30 June 2018

	Note	Consolidated 2018 $'000	Restated 2017 $'000	
Revenue		150,638	155,182	
Employee benefits expense		(47,891)	(46,260)	[1]
Clinicians fees		(26,088)	(25,520)	[1]
Raw materials and consumables used		(14,521)	(13,055)	
IT and communications expense		(2,588)	(2,580)	
Depreciation expense	2.2	(3,888)	(3,617)	
Amortisation expense	2.3	(1,063)	(744)	
Property expense		(9,265)	(8,094)	
Marketing and advertising expense		(4,033)	(4,718)	
Professional and other fees		(3,236)	(2,775)	
Other expenses		(4,907)	(3,206)	
Operating Profit		**33,158**	**44,613**	
Finance income		9	13	
Finance expenses		(3,562)	(3,473)	
Net finance costs	4.4	**(3,553)**	**(3,460)**	
Profit before tax		**29,605**	**41,153**	
Income tax expense	1.4	(8,424)	(11,534)	
Profit for the year		**21,181**	**29,619**	
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges		121	(67)	
Tax on cash flow hedges		(36)	20	
Exchange difference on translation of foreign operations		240	(261)	
Other comprehensive income for the year, net of tax		**325**	**(308)**	
Total comprehensive income for the year		**21,506**	**29,311**	
Profit attributable to:				
Owners of the company		21,353	29,619	
Non-controlling interests		(172)	-	
Profit for the year		**21,181**	**29,619**	
Total comprehensive income attributable to:				
Owners of the company		21,678	29,311	
Non-controlling interests		(172)	-	
Total comprehensive income for the year		**21,506**	**29,311**	
Earnings per share				
Basic earnings per share (cents)	1.3	9.1	12.6	
Diluted earnings per share (cents)	1.3	9.1	12.5	

[1] For improved transparency and consistency with internal management reporting purposes, certain salaried employees have been re-classified to clinician fees. As such, the prior year comparatives have been restated by increasing clinician fees by $1,619,000 and reducing employee benefits expense by $1,619,000

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

Consolidated Statement of Financial Position

For The Year Ended 30 June 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Current assets			
Cash and cash equivalents	4.5	3,853	3,502
Trade and other receivables	2.1	4,193	5,072
Current tax assets		2,040	-
Other assets	2.5	6,640	6,476
Total current assets		**16,726**	**15,050**
Non current assets			
Equity accounted investment		754	654
Trade and other receivables	2.1	85	112
Plant and equipment	2.2	16,935	16,750
Intangible assets	2.3	256,111	254,688
Total non current assets		**273,885**	**272,204**
Total assets		**290,611**	**287,254**
Current liabilities			
Trade and other payables	2.4	14,045	17,304
Borrowings	4.3	(134)	(116)
Current tax liability		-	166
Employee benefits	3.1	7,926	7,603
Total current liabilities		**21,837**	**24,957**
Non current liabilities			
Trade and other payables		-	352
Borrowings	4.3	98,240	95,779
Employee benefits	3.1	798	962
Deferred tax liability	1.4	2,878	1,688
Total non current liabilities		**101,916**	**98,781**
Total liabilities		**123,753**	**123,738**
Net assets		**166,858**	**163,516**
Equity			
Contributed equity	4.1	428,347	428,347
Reserves		(137,035)	(137,357)
Profits reserve		36,174	33,418
Retained earnings		(160,892)	(160,892)
Total equity attributable to ordinary shareholders of Monash IVF Group limited		**166,594**	**163,516**
Non-controlling Interest		264	-
Total equity		**166,858**	**163,516**

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

Consolidated Statement of Changes In Equity

For The Year Ended 30 June 2018

	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 year	-	-	29,619	-	-	29,619	-	29,619
Total other comprehensive income	-	-	-	-	(308)	(308)	-	(308)
Total comprehensive income 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**
Profit for the year	-	-	21,353	-	-	21,353	(172)	21,181
Total other comprehensive income	-	-	-	-	325	325	-	325
Total comprehensive income/(loss) for the year	**-**	**-**	**21,353**	**-**	**325**	**21,678**	**(172)**	**21,506**
Transactions with owners in their capacity as owners directly in equity								
Share-based payment transactions	-	-	-	-	(3)	(3)	-	(3)
Capital contributions	-	-	-	-	-	-	436	436
Dividends paid	-	-	(18,597)	-	-	(18,597)	-	(18,597)
Consolidated Balance at 30 June 2018	**428,347**	**(136,811)**	**36,174**	**(160,892)**	**(224)**	**166,594**	**264**	**166,858**

[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.

Consolidated Statement of Cash Flows

For The Year Ended 30 June 2018

	Note	Consolidated	
		2018	2017
	Note	$'000	$'000
Cash flows from operating activities			
Receipts from customers		150,455	157,872
Payments to suppliers and employees		(114,912)	(111,895)
Cash generated from operations		**35,543**	**45,977**
Income taxes paid		(9,613)	(20,068)
Net cash flows generated from operating activities	4.5	**25,930**	**25,909**
Cash flows from investing activities			
Payments for property, plant and equipment		(6,559)	(6,603)
Payments for subsidiaries		-	(425)
Net cash flows used in investing activities		**(6,559)**	**(7,028)**
Cash flows from financing activities			
Receipt of borrowings		21,800	20,500
Receipt of loans receivable		22	54
Proceeds from non-controlling interest		436	-
Repayments of borrowings		(19,300)	(20,000)
Interest paid		(3,621)	(3,430)
Dividends paid		(18,597)	(20,714)
Net cash flows used in financing activities		**(19,260)**	**(23,590)**
Total cash flows from activities		**111**	**(4,709)**
Cash and cash equivalents at the beginning of the year		3,502	8,472
Effects of exchange rate changes on foreign currency cash flows and cash balances		240	(261)
Cash and cash equivalents at end of the year	4.5	**3,853**	**3,502**

Notes to the Consolidated Financial Statements
For The Year Ended 30 June 2018

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 women'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 27 August 2018.

Going concern

As at 30 June 2018, the group has a net current asset deficiency of $5,111,000 (FY17: $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 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 2018 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 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 customer, 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 paid in advance of performing the service are recognised as deferred revenue until the time the service is rendered to the customer when the fees are recognised as revenue.

Other revenue

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

Segment results

2018	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total reportable segments $'000	Intersegment eliminations / unallocated $'000	Total $'000
Revenue					
External revenue	141,871	8,767	150,638	-	150,638
Total Revenue	**141,871**	**8,767**	**150,638**	**-**	**150,638**
Segment EBITDA[1]	**34,341**	**3,768**	**38,109**	**-**	**38,109**
Depreciation and amortisation expense	(4,686)	(265)	(4,951)	-	(4,951)
Interest revenue	9	-	9	-	9
Interest expense	(3,562)	-	(3,562)	-	(3,562)
Profit before income tax expense	**26,102**	**3,503**	**29,605**	-	**29,605**
Income tax expense	(7,560)	(864)	(8,424)	-	(8,424)
Profit for the year	**18,542**	**2,639**	**21,181**	-	**21,181**
Segment assets	**281,997**	**8,614**	**290,611**	**-**	**290,611**
Acquisition of plant and equipment and intangibles	6,072	487	6,559	-	6,559
Segment liabilities	**(122,988)**	**(765)**	**(123,753)**	**-**	**(123,753)**

[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)

2017	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total reportable segments $'000	Intersegment eliminations / unallocated $'000	Total Restated $'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 [2]	**279,372**	**7,882**	**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.
[2] $5,100,000 reclassification from Monash IVF Group Australia segment assets to Monash IVF Group International segment assets, as this relates to Malaysian goodwill.

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 26 February 2018, the Board declared a fully franked interim dividend of 3.40 cents per share. Payment of the interim dividend occurred on 6 April 2018. On 21 August 2017, a fully franked 2017 final dividend of 4.50 cents per share was declared and paid on 13 October 2017. Total dividends declared during the 2018 financial year were 7.90 cents per share ($18.6m). 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 2018, the Board has declared a fully franked 2018 final dividend of 2.60 cents per share. Total dividend declared for FY2018 is 6.00 cents per share.

Franking credits surplus as at 30 June 2018 is $12.4m (FY17: $11.6m).

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.

	Consolidated	
	2018	**2017**
Earnings per share	**Cents per share**	**Cents per share**
Basic earnings per share	9.1	12.6
Diluted earnings per share	9.1	12.5

	2018	**2017**
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	21,353	29,619

	2018	**2017**
Weighted average number of shares (basic)	**Number**	**Number**
Issued ordinary shares at 1 July	235,395,438	235,395,438
Adjustments for calculation of diluted earnings per share [1]	361,228	909,037
Weighted average number of ordinary shares (diluted) at 30 June	**235,756,666**	**236,304,475**

[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

	Consolidated	
	2018	2017
	$'000	$'000
Current tax	7,270	10,544
Deferred tax	1,154	990
Total income tax expense	**8,424**	**11,534**
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	1,154	1,061
Decrease in deferred tax liabilities	-	(71)
Total deferred tax expense	**1,154**	**990**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	29,605	41,153
Tax at the Australian tax rate of 30% (2017: 30%)	8,881	12,346
Tax effect of amounts which are not deductible in calculating taxable income:		
Effect of tax rates in foreign jurisdiction	(210)	(146)
Research and development	(250)	(300)
Other items	-	(76)
Over provision of previous year	3	(290)
Income tax expense	**8,424**	**11,534**

1.4 Taxation (continued)

Deferred Tax

2018

In thousands of dollars	Deferred tax asset 1 July 2017	Deferred tax liability at 1 July 2017	Recognised in profit or loss	Recognised directly in equity	Deferred tax asset at 30 June 2018	Deferred tax liability at 30 June 2018
Plant, equipment & software	-	(214)	-	-	-	(214)
Intangible assets	-	(5,944)	-	-	-	(5,944)
IPO transaction costs	1,158	-	(1,158)	-	-	-
Derivatives	191	-	-	(36)	155	-
Trade payables and provision	551	-	(43)	-	508	-
Employee benefits	2,570	-	47	-	2,617	-
Tax (liabilities)/assets before set off	**4,470**	**(6,158)**	**(1,154)**	**(36)**	**3,280**	**(6,158)**
Set off tax	(4,470)	4,470	-	-	(3,280)	3,280
Net tax assets/(liabilities)	**-**	**(1,688)**	**-**	**-**	**-**	**(2,878)**

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)**

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

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.

	Consolidated	
	2018	2017
	$'000	$'000
Current		
Trade receivables	3,673	4,145
Provision for impairment	(458)	(472)
Other debtors	599	1,135
Accrued income	379	264
Total current trade and other receivables	**4,193**	**5,072**
Non-current		
Other receivables and debtors	85	112
Total trade and other receivables	**4,278**	**5,184**

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 2.4% of annual revenue (FY17: 2.7%).

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	Consolidated 2018 $'000	Consolidated 2017 $'000
Cost		
Opening Balance at 1 July	**45,423**	**40,300**
Additions	4,073	5,123
Closing Balance at 30 June	**49,496**	**45,423**
Depreciation and impairment losses		
Opening Balance at 1 July	**(28,673)**	**(25,056)**
Depreciation for the year[1]	(3,888)	(3,617)
Closing Balance at 30 June	**(32,561)**	**(28,673)**
Carrying amount		
At 1 July (Opening balance)	16,750	15,244
At 30 June (Closing balance)	**16,935**	**16,750**

[1] The estimated useful lives of plant & equipment in 2018 and 2017 are between 2-10 years from the acquisition date.

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 are between 5-10 years from the acquisition date.

	Goodwill	Software	Trademark	Others[1]	Total
	$'000	$'000	$'000	$'000	$'000
Cost					
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**
Balance at 1 July 2017	230,657	14,185	19,845	9,587	274,274
Additions	-	2,486	-	-	2,486
Balance at 30 June 2018	**230,657**	**16,671**	**19,845**	**9,587**	**276,760**
Amortisation and impairment losses					
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)**
Balance at 1 July 2017	(1,549)	(8,450)	-	(9,587)	(19,586)
Amortisation for the year	-	(1,063)	-	-	(1,063)
Impairment loss	-	-	-	-	-
Balance at 30 June 2018	**(1,549)**	**(9,513)**	**-**	**(9,587)**	**(20,649)**
Carrying amounts					
at 30 June 2017	229,108	5,735	19,845	-	254,688
at 30 June 2018	**229,108**	**7,158**	**19,845**	**-**	**256,111**

[1] Public Contracts, Public Relationships and Employment Contracts amortised to nil prior to 1 July 2014.

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 2018 financial year:

	2018 $'000	2017 $'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 10.81% (FY17: 11.18%) for the Australian CGU, 11.52% (FY17: 11.90%) for the Ultrasound CGU and 11.27% (FY17: 11.55%) 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% (FY17: 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.

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Current		
Trade payables	2,803	3,750
Accrued expenses	4,787	6,068
Deferred revenue	6,090	7,336
Other liabilities	365	150
Total current trade and other payables	**14,045**	**17,304**

2.5 Other Assets

Recognition and Measurement

Prepayments

Payments made for the receiving of goods or services rendered in future years are recognised as a prepayment.

Inventory

Inventories are measured at the lower of cost and net realisable value.

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Prepayments	2,250	1,947
Inventory	3,854	3,403
GST receivable and other	536	1,126
	6,640	**6,476**

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:

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Current liability		
Long service leave	4,526	3,899
Annual leave	3,400	3,704
Total current employee benefits	**7,926**	**7,603**
Non-current liability		
Long service leave	798	962
Total non-current employee benefits	**798**	**962**

The aggregate employee entitlement provision is $8,724,000 (FY17: $8,565,000). Employee benefits incurred during the year were $47,891,000 (FY17: $46,260,000).

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 share appreciation rights, 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 performance rights plans with vesting rights dependent upon the satisfaction of pre-defined performance hurdles and continuous employment. Current performance hurdles 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

In FY16, the fee-for-service fertility specialists were eligible to participate in the Fertility Specialist LTI Plan. Two separate tranches were 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.

The Fertility Specialist long-term incentive plan was only offered in FY16.

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, performance rights were granted in FY16, FY17 and FY18 respectively, and share options in FY15 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 applicable during the year ended 30 June 2018 are described below:

Grant date/employees entitled	Number of performance rights	Vesting conditions	Exercise Price	Contractual life of performance rights
29 January 2018	287,262	EPS - Subject to meeting certain EPS hurdles and 3 year service period to 30 June 2020 TSR - Subject to Total Shareholder Return hurdles and a 3 year service period to the 11th trading day after the FY20 results announcement	N/A	5 years
17 March 2017	143,540	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:

	2018	2017	2016	2015
Fair value at grant date (EPS condition)	$1.19	$1.69	$1.65	$0.21
Fair value at grant date (TSR condition)	$0.49	$0.63	$1.31	$0.19
Share price at grant date	$1.36	$1.90	$1.83	$1.73
Exercise price	N/A	N/A	N/A	$1.85
Expected volatility - Monash IVF	37%	32%	32%	24%
Expected volatility - ASX 300 Healthcare Index	14%	15%	14%	-
Expected life (years)	5	5	5	4
Expected dividends	5.50%	4.80%	4.80%	4.55%
Risk-free interest rate (based on government bonds)	2.13%	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 company's long-term incentive plan were as follows:

	Number of share options	Weighted-average exercise price
		$
Outstanding at 1 July 2016	800,000	1.85
Forfeited/lapsed during the year [1]	(260,000)	1.85
Outstanding at 30 June 2017	540,000	1.85
Granted during the year	-	-
Forfeited/lapsed during the year [2]	(540,000)	1.85
Outstanding at 30 June 2018	-	-
Options exercisable as at 30 June 2018	-	-

Reconciliation of outstanding performance rights

The number of performance rights under the company's long-term incentive plan were as follows:

	Number of performance rights
Outstanding at 1 July 2016	233,570
Granted during the year	143,540
Forfeited/lapsed during the year [2]	(268,072)
Outstanding at 30 June 2017	109,038
Granted during the year	287,262
Forfeited/lapsed during the year	(35,072)
Outstanding at 30 June 2018	361,228

[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's (CEO) FY15, FY16 and FY17 share options and performance rights were forfeited due to resignation and departure.

3.4 Key management personnel

Compensation	2018 $	2017 $
Short-term employee benefits	1,862,428	1,763,108
Post-employment benefits	109,743	103,758
Share based payments	31,121	55,403
Total key management personnel compensation	**2,003,292**	**1,922,269**

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.

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 (1/7/16)	235,395,438	428,347
Closing balance (30/6/17)	**235,395,438**	**428,347**
Opening balance (1/7/17)	235,395,438	428,347
Closing balance (30/6/18)	**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) - 30/6/18	Escrowed Shares (as a % of Shares on issue)
Doctors (1)	15.6	6.6%
Sydney Ultrasound for Women	1.6	0.7%
Total	**17.2**	**7.3%**

(1) Includes 1.0m 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 were held in short-term escrow, with 3.33% released each year from escrow on the first trading day in Shares following the Company's FY15, FY16 and FY17 financial results announcements to the ASX. This concluded the release of the pre-IPO doctor short-term escrow.

Shares held in long-term escrow are subject to the following conditions:

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 were aged 63 or older at the time of re-organisation or who turned 63 within two years of Completion, these shares can be released from escrow from June 2016; or
   - where a Doctor becomes a 'relocated leaver' (as described below), these Shares can 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 can 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 can 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' 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.

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 were 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% were 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 and is consistent with the Doctors above in points 1 and 2.

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 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
2018					
Non-derivative financial liabilities					
Secured bank loans	98,000	(102,867)	(3,361)	(99,506)	-
Trade and other payables	14,045	(14,045)	(14,045)	-	-
Derivative financial liabilities					
Interest rate swaps	510	(510)	-	(510)	-
	112,555	**(117,422)**	**(17,406)**	**(100,016)**	**-**
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)**	**-**

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 2018 approximately 51% of the interest rate exposure is fixed (FY17: 47%). 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	
	2018	2017
	$'000	$'000
Fixed rate instruments		
Financial assets	565	823
Financial liabilities	(50,000)	(45,000)
	(49,435)	**(44,177)**
Variable rate instruments		
Financial assets	3,228	2,680
Financial liabilities	(48,000)	(50,500)
	(44,772)	**(47,820)**

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 $447,720 (FY17: $478,200). 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			
2018	**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	510	-	510	-	510
	510	**-**	**510**	**-**	**510**

		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**

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 2018	
	Currency	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000
Commercial loans	AUD	3.37%	2020	66,000	66,000
	AUD	3.52%	2021	22,000	22,000
	AUD	3.67%	2022	10,000	10,000
Total interest-bearing liabilities				**98,000**	**98,000**

4.3 Borrowings (continued)

Borrowing carrying values are as follows:

	Consolidated	
	2018	2017
	$'000	$'000
Current borrowings		
Derivatives	-	-
Capitalised finance facility fees	(134)	(116)
	(134)	**(116)**
Non-current borrowings		
Borrowings	98,000	95,500
Derivatives	510	631
Capitalised finance facility fees	(270)	(352)
	98,240	**95,779**

In February 2017, the Group entered into 2 new interest rate swaps for $45M which are in a hedging relationship with existing debt. These swaps will mature in February 2022. A further $5M interest rate swap was entered into in June 2018 for $5M which will mature in February 2020.

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 2018, 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 2018, the Group had $950,000 of bank guarantees in place (FY17: $911,000).

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.

	Consolidated	
	2018	2017
	$'000	$'000
Finance income		
Interest income	9	13
Finance expense		
Interest expense	(3,438)	(3,312)
Amortisation of bank fees	(124)	(161)
Total finance expense	**(3,562)**	**(3,473)**
Net finance costs	**(3,553)**	**(3,460)**

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 $3,853,000 in short-term deposits or cash at bank with 'A' rated or higher Australian banks.

	Consolidated	
	2018 $'000	2017 $'000
Cash at bank and in hand	3,288	2,937
Short-term bank deposits	565	565
Total cash and cash equivalents	**3,853**	**3,502**

Cash flow information

	Consolidated	
Reconciliation of profit after income tax to net cash inflow from operating activities	**2018 $'000**	**2017 $'000**
Profit for the period	21,181	29,619
Adjustments for:		
Net finance expense	3,553	3,460
Depreciation and amortisation	4,951	4,361
Income tax expense	8,424	11,534
Reversal of earn out expense	-	(350)
Share of associate loss	8	123
Share options expense	3	44
Doctor LTIP expense	52	69
Operating profit before changes in working capital and provisions	**38,172**	**48,860**
(Increase)/decrease in trade and other receivables	923	993
(Increase) in other assets	(164)	(1,883)
Increase/(decrease) in trade and other payables	(3,546)	(2,775)
Increase in provisions and employee benefits	158	782
Income taxes paid	(9,613)	(20,068)
Net cash from operating activities	**25,930**	**25,909**

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.	Based on the nature of the services provided by the Group and the time from which they are provided, the Group does not expect there to be material transition impacts in adopting the new accounting standard requirements.

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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, effectively 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:

- Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts (Amendments to AASB 4)
- Transfers of Investment Property (Amendments to AASB 140)
- Annual Improvements 2014–2016 Cycle – various standards (Amendments to AASB 1 and AASB 128)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- AASB 1059 Service Concession Arrangements: Grantor
- AASB 17 Insurance Contracts
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)
- Classification and Measurement of Share-based Payment Transactions (Amendments to AASB 2)

6.2 Commitments

Capital commitments

The Group has $119,000 capital expenditure contracted for at the end of the reporting period but not recognised as a liability (FY17: $933,000).

Non-cancellable operating lease

The Group is party to various non-cancellable operating leases expiring within 1 to 5 years which are subject to varying extension clauses.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	2018 $'000	2017 $'000
within one year	4,793	5,581
later than one year but no later than five years	9,104	11,763
later than five years	-	773
	13,897	**18,117**

During the financial year ended 30 June 2018, $7,068,000 was recognised as an expense in the income statement in respect of operating leases (FY17: $6,172,000).

6.3 Parent entity disclosures

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

	2018 $'000	2017 $'000
Results of parent entity		
Profit after tax	24,941	24,833
Other comprehensive income	-	-
Total comprehensive income	**24,941**	**24,833**
Financial position of the parent entity at year end		
Current assets	486,340	459,337
Total assets	490,206	463,203
Current liabilities	(51,863)	(31,155)
Total liabilities	(51,863)	(31,155)
Net assets	**438,343**	**432,048**
Total equity of the parent entity comprising of:		
Share capital	428,347	428,347
Retained earnings	9,996	3,701
Total equity	**438,343**	**432,048**

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 2018 (FY17: 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 2018 is set out as follows:

6.4 Deed of cross guarantee (continued)

	2018 $'000	2017 $'000
Extract of the statement of profit or loss and other comprehensive income		
Profit before tax	29,136	40,389
Income tax expense	(7,711)	(10,968)
Net profit after tax	**21,425**	**29,421**
Other comprehensive income		
Profit for the period	21,425	29,421
Items that may be subsequently be reclassified to profit or loss		
Cash flow hedges	121	(67)
Tax on cash flow hedges	(36)	20
Other comprehensive income for the year, net of tax	**21,510**	**29,374**
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	(125,093)	(133,800)
Profit for the period	21,425	29,421
Dividends paid - ordinary shares	(18,597)	(20,714)
Retained earnings at the end of the financial year	**(122,265)**	**(125,093)**

Statement of financial position	2018 $'000	2017 $'000
Current assets		
Cash and cash equivalents	2,625	2,872
Trade and other receivables	4,125	3,931
Current tax asset	2,367	-
Other assets	6,353	7,216
Total current assets	**15,470**	**14,019**
Non current assets		
Investment in subsidiaries	13,401	13,027
Trade and other receivables	69	98
Property, plant and equipment	14,562	15,061
Intangible assets	250,962	249,539
Total non current assets	**278,994**	**277,725**
Total assets	**294,464**	**291,744**
Current liabilities		
Trade and other payables	15,742	19,281
Borrowings	(134)	(116)
Current tax liability	-	118
Employee benefits	7,897	7,603
Total current liabilities	**23,505**	**26,886**
Non current liabilities		
Trade and other payables	-	352
Borrowings	98,239	95,779
Deferred tax liability	2,920	1,679
Employee benefits	804	962
Total non current liabilities	**101,963**	**98,772**
Total liabilities	**125,468**	**125,658**
Net assets	**168,996**	**166,086**
Equity		
Contributed equity	428,347	428,347
Reserves	(137,086)	(137,168)
Retained earnings	(122,265)	(125,093)
Total equity	**168,996**	**166,086**

As at 30 June 2018, the Deed of cross guarantee has a net current asset deficiency of $8,035,000 (FY17: $12,867,000). 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:

	2018 $	2017 $
Audit services - KPMG		
Audit and review of financial statements	284,000	284,000
Other services - KPMG		
Taxation services	144,065	75,517
Other Auditors (Non-KPMG)		
Audit and review of financial statements	10,500	8,990
Total services	**438,565**	**368,507**

6.6 Events occurring after the reporting period

On 27 August 2018, a fully franked final dividend of 2.6 cents per share was declared. The record date for the dividend is 7 September 2018 and the payment date for the dividend is 12 October 2018.

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.

Directors' Declaration
For The Year Ended 30 June 2018

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 58 to 96 and the Remuneration report on pages 26 to 43 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 2018 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 2018.

4. The Directors draw attention to page 63 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, 27th day of August 2018

Mr. Richard Davis
Chairman

27 August 2018

Mr. David Morris
Chief Executive Officer

27 August 2018

Independent Auditor’s Report

This is the original version of the Audit Report over the Financial Statements signed by the Directors on 27 August 2018. Page references should be read as follows to reflect the correct references now that the Financial Statements have been presented in the context of the Annual Report in its entirety: page references with respect to our Report on the Remuneration Report as set out in the Directors’ Report, should be updated to read pages 26 to 43.

KPMG

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 2018 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 2018
- 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 judgement, 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.

Independent Auditor's Report (Continued)

This is the original version of the Audit Report over the Financial Statements signed by the Directors on 27 August 2018. Page references should be read as follows to reflect the correct references now that the Financial Statements have been presented in the context of the Annual Report in its entirety: page references with respect to our Report on the Remuneration Report as set out in the Directors' Report, should be updated to read pages 26 to 43.

KPMG

Goodwill ($229.1 million)	
Refer to Note 2.3 of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
At 30 June 2018 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 in light of any changes in market conditions that have impacted the performance of relevant 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 Group's value in use method 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 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. We applied increased scepticism to CGU forecasts when 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, 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 any changes to market conditions. We compared key events to the Board approved plan and strategy, and 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 information regarding industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, its past performance,

Independent Auditor's Report (Continued)

This is the original version of the Audit Report over the Financial Statements signed by the Directors on 27 August 2018. Page references should be read as follows to reflect the correct references now that the Financial Statements have been presented in the context of the Annual Report in its entirety: page references with respect to our Report on the Remuneration Report as set out in the Directors' Report, should be updated to read pages 26 to 43.

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	business and customers and our industry experience; • Working with our valuation specialists, we independently developed a comparable discount rate range 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 against the requirements of the accounting standards.

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 Director's Report, Remuneration Report, Appendix 4E, Corporate Governance Statement and FY18 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.

Independent Auditor's Report (Continued)

This is the original version of the Audit Report over the Financial Statements signed by the Directors on 27 August 2018. Page references should be read as follows to reflect the correct references now that the Financial Statements have been presented in the context of the Annual Report in its entirety: page references with respect to our Report on the Remuneration Report as set out in the Directors' Report, should be updated to read pages 26 to 43.

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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 2018, 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 32 of the Directors' Report for the year ended 30 June 2018.

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

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BW Szentirmay
Partner

Melbourne
27 August 2018

Shareholder Information

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 4 October, 2018.

Distribution of Shareholders – Ordinary Shareholders

Size of Holding	No of Shareholders	Ordinary Shares	% of issued Capital
1 to 1000	1,832	1,176,138	0.50%
1001 to 5000	3,540	10,103,259	4.29%
5001 to 10000	1,566	12,190,108	5.17%
10001 to 100000	1,666	42,339,584	17.97%
100001 and Over	112	169,771,854	72.07%
Total	**8,716**	**235,580,943**	**100.00%**

Based on a closing share price of $1.11 on 4 October 2018, the number of shareholders holding less than a marketable parcel of **451** securities is **510** and they hold **149,813** shares.

Shareholder Information (Continued)

20 Largest Shareholders – Ordinary Shareholders

Rank	Name	No. of fully paid shares	% of issued Capital
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	49,267,762	20.91%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	25,192,137	10.69%
3	ARGO INVESTMENTS LIMITED	11,454,986	4.86%
4	JANGHO HEALTH CARE AUSTRALIA PTY LTD	10,623,124	4.51%
5	NATIONAL NOMINEES LIMITED	9,280,552	3.94%
6	CITICORP NOMINEES PTY LIMITED	7,002,550	2.97%
7	BNP PARIBAS NOMS (NZ) LTD	4,645,350	1.97%
8	BOND STREET CUSTODIANS LIMITED	3,724,990	1.58%
9	XLY HOLDING PTY LTD	3,090,000	1.31%
10	CITICORP NOMINEES PTY LIMITED	2,935,400	1.25%
11	BNP PARIBAS NOMS PTY LTD	2,716,184	1.15%
12	PACIFIC CUSTODIANS PTY LIMITED	2,474,369	1.05%
13	IPPOLITI PTY LTD	2,011,336	0.85%
14	VOLLENHOVEN INVESTMENTS PTY LTD	1,812,787	0.77%
15	MR PRASHANT NADKARNI	1,461,484	0.62%
16	MILKS SFCT PTY LTD	1,229,928	0.52%
17	DALYNE PTY LTD	1,170,000	0.50%
18	KELTON PAUL TREMELLEN	1,109,245	0.47%
19	BNP PARIBAS NOMINEES PTY LTD	1,082,019	0.46%
20	RICHARD CHARLES HENSHAW	1,023,325	0.43%
Total for Top 20		**143,307,528**	**60.83%**
Balance of Register		**92,273,415**	**39.17%**
Grand Total		**235,580,943**	**100.00%**

Substantial Shareholders

As at 4 October 2018, the following details the names of substantial shareholders in Monash IVF Group Limited and the number of shares held, as disclosed in substantial holding notices given to the Company:

Rank	Name	No. of fully paid shares	% of issued Capital
1	AUSTRALIANSUPER PTY LTD	27,602,955	11.72%
2	ADAM SMITH ASSET MANAGEMENT	18,321,234	7.78%
3	SALT FUNDS MANAGEMENT LIMITED	13,008,612	5.52%
4	CELESTE FUNDS MANAGEMENT LIMITED	11,800,088	5.01%

Voting Rights

In accordance with the Constitution, each member present at a meeting (whether in person, by proxy, by power of attorney or by a duly authorised representative), upon a poll, shall have one vote for each fully paid ordinary share.

Corporate Directory

Stock Exchange Listing

The shares of Monash IVF Group are listed by ASX Ltd on the Australian Securities Exchange trading under "MVF".

Directors

Mr Richard Davis – Chairman

Ms Christina Boyce

Mr Neil Broekhuizen

Mr Josef Czyzewski

Dr Richard Henshaw

Mr David Morris

Ms Zita Peach

Mr Michael Knaap – Company Secretary

Share Registry

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Auditor

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