Monash IVF Group Limited
Appendix 4E Preliminary final report
ACN 169 302 309

Reporting period:	Year ended 30 June 2020
Previous corresponding period:	Year ended 30 June 2019
Release date:	24 August 2020

Results for announcement to the market

				A$'000
Revenue from ordinary activities	down	4.3%	to	145,417
Earnings before interest, tax, depreciation (EBITDA)(1)	down	11.8%	to	32,833
Adjusted Earnings before interest, tax, depreciation (Adjusted EBITDA)(1)(2)(3)	down	8.0%	To	34,797
Earnings before interest and tax (EBIT)	down	30.2%	to	21,833
Adjusted Earnings before interest and tax (Adjusted EBIT)(2)(3)	down	25.3%	to	24,448
Net profit from ordinary activities after tax attributable to members	down	40.9%	to	11,726
Adjusted Net profit from ordinary activities after tax attributable to members(2)(3)	down	31.2%	to	14,353

(1) EBITDA is 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. This non IFRS measure is not subject to audit or review.
(2) Adjusted reflects non-regular items relating to transaction costs on acquisition activity ($539,000 pre-tax), restructuring costs ($848,000) pre-tax), certain pre-IPO patient claim ($728,000 pre-tax), closure of interest rate swaps ($1,087,000 pre-tax) and AASB16 depreciation/interest on Work-in-progress Sydney CBD clinic premise costs ($511,000). Refer to page 8 of the financial report.
(3) Adjusted EBITDA, Adjusted EBIT and Adjusted NPAT are non-IFRS measures.

Dividends	Date paid / payable	Amount per security	Franked amount per security
Interim Dividend FY20	2 OCT 2020	2.1¢	2.1¢
Final Dividend FY20	n/a	-	-
Total corresponding year Dividends		6.0¢	6.0¢
Record date for determining entitlements to the Final Dividend:		NA	

Brief explanation: Please refer to the commentary in the review of operations and activities section of the Directors Report and the FY20 Results Announcement accompanying this Financial Report.

Net tangible assets per security	Current period	Previous corresponding period
Net tangible asset backing (per share)	($0.03)	($0.35)

Audit of the financial report

The financial report has been subject to an audit by KPMG and no dispute or qualification is contained in the attached independent audit report for the year ended 30 June 2020.

Monash IVF Group Limited
ACN 169 302 309

Financial Report

For the year ended 30 June 2020

Contents

The financial report is presented in Australian dollars.

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

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

The Directors present their report together with the consolidated financial report of Monash IVF Group Ltd ('the Group'), being the Company (Monash IVF Group Ltd), its subsidiaries, and the Group's interest in associated entities as at and for the year ended 30 June 2020, 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 (resigned effective 29 June 2020)
Mr Neil Broekhuizen
Mr Josef Czyzewski
Dr Richard Henshaw
Ms Zita Peach
Mr Michael Knaap

Information on the Directors' and Company Secretary's experience is outlined on page 16 and 17. 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 an Adjusted net profit after tax (NPAT)[1] of $14.4m before $2.6m non-regular items. Refer to page 8 for non-regular items adjusted. It should be noted that FY20 includes impact from AASB16 Lease accounting which increases EBITDA by $7.2m, EBIT by $1.6m and NPAT by $0.3m.

$m	FY20	FY19	% Change
Group Revenue	$145.4	$152.0	(4.3%)
EBITDA[1]	$32.8	$37.2	(11.8%)
Adjusted EBITDA[1][2][6]	$34.8	$37.8	(8.0%)
EBIT	$21.8	$31.3	(30.2%)
Adjusted EBIT[1][6]	$24.4	$32.7	(25.3%)
NPAT attributable to ordinary shareholders	$11.7	$19.9	(40.9%)
Adjusted NPAT[1][6]	$14.4	$20.9	(31.2%)
EPS (cents)	4.6	8.4	(45.2%)
DPS (cents)	2.1	6.0	(65.0%)
	30 Jun 20	30 Jun 19	
Net Debt (m)[3]	$4.2	$84.7	
Net Debt to Equity ratio [4]	1.7%	48.8%	
Return on Equity (pa.) [5]	5.7%	12.1%	

(1) Adjusted reflects non-regular items relating to transaction costs on acquisition activity, restructuring costs, certain pre-IPO patient claim, closure of interest rate swaps and work-in-progress Sydney CBD clinic premise operating costs. Refer to page 8.
(2) EBITDA is 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. This non IFRS measure is not subject to audit or review.
(3) Debt less cash balances
(4) Net debt to equity is debt divided by equity
(5) Return on equity is Adjusted NPAT divided by closing equity
(6) Adjusted EBITDA, Adjusted EBIT and Adjusted NPAT are non-IFRS measures

Operational and Financial Review (continued)

- $14.4m Adjusted NPAT[(1)] is above $14m guidance provided on 29 June 2020 (reported NPAT of $11.7m);
- $3.9m adverse NPAT impact during March to June 2020 compared to pcp due predominately to COVID-19 temporary shutdown;
- Recovery from temporary suspension of IVF procedures in Australia was strong with stimulated cycles up by 33.6% from June to July 2020 vs pcp;
- Kuala Lumpur clinic has recovered from Movement Control Orders in Malaysia demonstrating 72% stimulated cycle growth in July vs pcp;
- Ultrasound clinics continued to operate throughout Q4 although impeded by heavy but effective infection control and social distancing measures;
- Market share gains across SA, QLD and NSW although Victoria lost market share following departure of five specialists in September 2019;
- Balance Sheet strong following $80m equity raising which has reduced debt while navigating COVID-19 and allows for investment into future growth opportunities including new Sydney CBD clinic and partnerships in SE Asia;
- Deferred 1H20 dividend to be paid on 2 October 2020;
- AASB16 Lease accounting has on impact on FY20 by increasing EBITDA by $7.2m, EBIT by $1.6m and NPAT by $0.3.

COVID-19 trading recovery summary

Key Events

- On 25 March 2020, National Cabinet acting on the advice of Australian Health Protection Principal Committee temporarily suspended all non-urgent elective surgery, including IVF procedures;
- On 21 April 2020, National Cabinet announced that certain elective surgery procedures, including IVF could recommence from 27 April;
- On 27 March 2020, Movement Control Orders (MCO) were implemented in Malaysia which were subsequently eased on 9 June 2020.

Impact

- The temporary suspension of IVF procedures resulted in a 71% decline in Australian stimulated cycles in April to mid May 2020;
- The MCO in Malaysia resulted in a 76% decline in International stimulated cycles in April and May 2020;
- $3.9m adverse NPAT impact during March to June 2020 as compared to pcp predominately due to COVID-19 which includes $4.9m (pre-tax) Job Keeper Subsidy to maintain engagement with workforce during hibernation and recovery periods;
- Ultrasound clinics remained open and scan volumes were moderately impacted (3.4% decline in March to June 2020) by movement restrictions in-place; however, cost of service delivery increased due to heightened infection control measures;

Key Actions

- As a key priority, the Group implemented measures designed to protect the health and safety of its patients, employees and doctors;
- Implementation of a number of initiatives to assist in mitigating financial impact of COVID-19;

(1) Adjusted NPAT is a non-IFRS measure

COVID-19 trading recovery summary (continued)

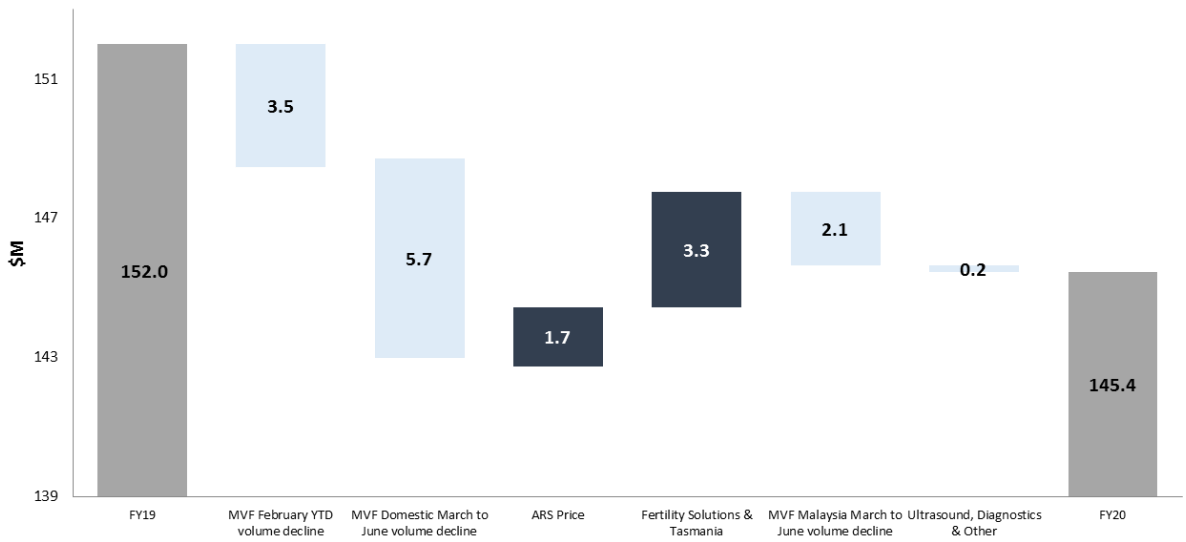
- $80m equity raising in response to potential extended shutdown due to COVID-19, reduce debt and pursue growth opportunities including build of a new Sydney CBD fertility clinic, Joint venture/partnership and acquisition opportunities across South East Asia and transformation of Melbourne footprint;
- Patient engagement activities during shut-down period has driven the strong recovery of pent up demand and increased marketing activities post equity raising is driving growth in the patient pipeline leading into FY21.

Recovery

- Following recommencement of IVF services in Australia, stimulated cycles increased by 34.3% between 18 May and 30 June 2020 compared to pcp, with 32.1% growth continuing into July 2020;
- Kuala Lumpur is in recovery following easing of the Movement Control Orders on 9 June resulting in a 23.5% stimulated cycle growth in June to July 2020 with July up by 72% compared to pcp;
- The Victorian IVF business has continued to operate notwithstanding Stage 4 restrictions (effective 2 August 2020) as IVF has been exempt from the current suspension of non-urgent elective surgery in Victoria.

Revenue

Group revenues declined by $6.6m or 4.3% to $145.4m compared to pcp. A summary of the decrease in revenues is detailed in the waterfall chart below:



- MVF February YTD volume decline reduced revenue by $3.5m reflecting Full-Service stimulated cycle growth in QLD, SA and NSW offset by declines in VIC due to departure of five fertility specialists
- MVF Domestic March to June volume decline reduced revenue by $5.7m as organic stimulated cycles declined by 472 during March to June as compared to pcp following the temporary shutdown partly offset by 34.8% stimulated cycle growth from mid May to 30 June 2020 compared to pcp
- Fertility Solutions and Tasmania contribution of $3.3m is due to Fertility Solutions acquisition in September and contribution from Fertility Tasmania (from August) subsequent to taking a controlling interest
- International revenue declined by $2.1m as stimulated cycles reduced by 189 (March to June 2020) which was largely driven during the Movement Restriction Orders in place in Malaysia
- Ultrasound, Diagnostics and Other income is largely in line with pcp as Ultrasound revenue increased by $0.2m, offset by ancillary services related to ARS related activity including genetic screening.

Adjusted Earnings before interest, depreciation, interest and tax (EBITDA)

Adjusted EBITDA(1)(2) is $34.8m as compared to $37.8m. For comparative purposes, Adjusted EBITDA excluding the impact from AASB16 Leases (+$7.2m) declined by $10.2m or 26.7% due primarily to:

- Negative impact from COVID-19 temporary suspension which reduced stimulated cycles by 71% in the period from 1 April to mid May. The Group was eligible for the Job Keeper Subsidy for Q4FY20 ($4.9m pre-tax) utilised to maintain and engage workforce;
- $3.4m negative impact from decline in ARS activity prior to COVID-19 suspension due to departure of Victorian specialists partly offset by growth in SA, NSW, QLD and cost out program impact as at February YTD;
- $1.1m marketing expenditure increase is driving pipeline growth leading into FY21 through radio, TV, digital channels and patient enquiry/registration conversion. Increase in media investment between May to July 2020 was $0.7m.

Finance costs

Net finance cost is $5.7m, an increase of $1.9m compared pcp. The increase is due to the closure of interest rate swaps as a result of hedge accounting in-effectiveness following repayment of debt ($1.1m), the application of the new leasing standard ($1.1m) partly offset by $0.2m lower underlying debt costs.

Taxation

The effective tax rate is 27.1% as compared to 27.9% in pcp. The effective tax rate reflects the 30% Australian and 24% Malaysian corporate tax rates as well as capturing the research and development tax incentives available from continued scientific innovation.

Segment analysis

	Australia			International		
$m	FY20	FY19	% change	FY20	FY19	% change
Revenue	135.5	140.4	(3.5%)	9.9	11.6	(14.7%)
Adjusted EBITDA(1)(2)	30.3	32.5	(6.8%)	4.5	5.3	(15.1%)
Adjusted EBIT(1)(2)	20.6	27.7	(25.6%)	3.8	5.0	(24.0%)
NPAT	9.0	16.0	(43.8%)	2.8	3.8	(26.3%)

Australia

Australia revenue declined by 3.5% to $135.5m due to the following:

FY20 stimulated cycles declined by 5.6% to 7,181 reflecting:

- 10.1% increase in South Australian cycles February 2020 YTD resulting in market share gains;
- 1.9% increase in New South Wales cycles February 2020 YTD whilst maintaining total market share;
- 15.9% increase in Queensland cycles February 2020 YTD. The Fertility Solutions acquisition added 133 stimulated cycles between mid September 2019 to February 2020 resulting in market share gains;
- 14.6% decline in Victorian cycles February 2020 YTD due to departure of specialists;
- 366 cycle decline in March to June compared to pcp due primarily to COVID-19 disruption;
- Fertility Tasmania contributed 99 cycles following consolidation into the Group from August 2019;
- MyIVF, provider of low cost services, which ceased operations in March 2020, reducing stimulated cycles by 45 during the year;
- FY20 Frozen Embryos declined by 5.2% driven by the decline in stimulated cycles;
- Ultrasound scans increased by 1.8% to 82,311 and Non-invasive prenatal testing increased by 2.8% to 13,478.

Adjusted EBIT declined by $7.1m or 25.6% to $20.6m due to impact from COVID-19 temporary shutdown of services, impact from departure of specialists in Victoria, which was partly offset by volume growth in South Australia and Queensland, $1.1m increase in marketing driving COVID-19 recovery and future pipeline. Adjusted EBIT is also increased by $1.6m due to AASB 16 Leases and $0.5m benefit from cost out program during Q3FY20.

International

International revenue declined by $1.7m or 14.7% to $9.9m. The International segment comprises the Kuala Lumpur clinic which was heavily impacted by movement control orders (MCO) effective 27 March. The Clinic experienced a 76% decline in April and May stimulated cycles compared to pcp. The MCO was eased on 9 June which resulted in improved volumes in June although below pcp by 14%. Strong growth has been experienced in July following conversion of some pent up demand created due to the MCO. Stimulated Cycles during FY20 declined by 205 or 19.8% and frozen embryos declined by 156 or 15.3%.

International Adjusted EBIT declined by $1.2m or 24.0% due to volume declines which was heavily impacted by the MCO in place during Q4.

(1) Adjusted EBITDA and Adjusted EBIT are non-IFRS measures
(2) Adjusted reflects non-regular items relating to transaction costs on acquisition activity, restructuring costs, certain pre-IPO patient claim, closure of interest rate swaps and AASB16 depreciation/interest on Work-in-progress Sydney CBD clinic premise costs Refer to page 8

AASB16 Leases impact

Implementation of AASB16 Leases on 1 July 2019 had the following impact on FY20 profitability as compared to FY19:

- Increased EBITDA by $7.2m;
- Increased EBIT by $1.6m;
- Increased NPAT by $0.3m.

Earnings reconciliation

The table below provides a summary of FY20 non-regular items as compared to FY19:

	FY20 $m	FY19 $m
Statutory NPAT[(1)]	**11.7**	**19.9**
1H20 non-regular items	1.2	-
2H20 Restructuring costs	0.2	-
2H20 Acquisition costs	0.1	-
2H20 Interest rate swap closure	0.8	-
2H20 New Sydney CBD premise costs	0.4	
FY19 Mosman clinic closure and CEO separation costs	-	1.0
Adjusted NPAT[(1)]	14.4	20.9

The table below provides a reconciliation of FY20 Adjusted EBITDA, EBIT and NPAT to the reported statutory metrics:

$m	EBITDA	EBIT	NPAT[(1)]
Reported Statutory	**32.8**	**21.8**	**11.7**
1H20 non-regular items	1.7	1.7	1.2
2H20 Restructuring costs	0.2	0.3	0.2
2H20 Acquisition costs	0.1	0.1	0.1
2H20 Interest rate swap closure	-	-	0.8
2H20 New Sydney CBD premise costs	-	0.5	0.4
Adjusted	34.8	24.4	14.4

(1) Attributable to members

- $1.2m 1H20 non-regular items includes post-tax impact from Fertility Solutions acquisition transaction costs ($0.3m), pre-IPO patient claim ($0.5m) and restructuring costs associated with the cost reduction program ($0.4m);
- $0.2m 2H20 restructuring costs primarily relates to the closure of the MyIVF low-cost clinic;
- $0.1m 2H20 acquisition costs relates to the Johor Bahru, Malaysia acquisition which completed in June 2020;
- $0.8m closure of interest rate swaps are for the termination of $30m swaps following part repayment of Syndicated Banking Facility. This resulted in transfer of balances in the hedge reserve to profit & loss for accounting purposes;
- $0.4m New Sydney CBD IVF premise (lease depreciation and interest expense) from execution of the lease in February 2020. Construction works commenced in late June and is on-track to be ready for patient treatments during Q2FY21.

Statement of Financial Position and Capital Metrics

Balance Sheet ($m)	FY20	FY19	% change
Cash and cash equivalents	15.1	4.3	251.2%
Other current assets	15.6	11.2	39.3%
Current lease liabilities	(2.3)	-	-
Current liabilities	(35.6)	(24.2)	(47.1%)
Net working capital	**(7.2)**	**(8.7)**	**17.2%**
Borrowings	(19.3)	(89.0)	(78.3%)
Goodwill & Intangibles	262.1	257.1	1.9%
Right of use assets	36.5	-	-
Lease liabilities	(36.3)	-	-
Property Plant & Equipment	19.1	16.5	15.8%
Other assets/liabilities	(2.8)	(2.5)	(12.0%)
Net assets	**252.1**	**173.4**	**45.4%**

Capital Metrics			+/-
Net Debt ($m)	**4.2**	**84.7**	**(80.5)**
Leverage Ratio (Net Debt / EBITDA)	0.15x	2.24x	2.09x
Interest Cover (EBITDA / Interest)	8.4x	10.6x	(2.2x)
Net Debt to Equity Ratio	1.7%	48.8%	47.1%
Return on Equity	5.8%	12.1%	(6.3%)
Return on Assets	4.1%	7.2%	(3.1%)

The $80m equity raising has resulted in a stronger balance sheet and reduction of debt to navigate any future developments in COVID-19. In addition, it has created flexibility to pursue identified organic and non-organic growth opportunities in Australia and South East Asia including the Sydney CBD fertility clinic construction, JV/partnership opportunities in SE Asia and transformation of Melbourne footprint.

Net debt has decreased by $80.5m to $4.2m noting financial banking covenant requirements are waived until 30 June 2021 (which was executed prior to the equity raising). A decision was made to right size the $110m Syndicated Debt Facility to $40m effective 24 August 2020. The $40m accordion facility remains available for acquisitions and capex.

The key Net Leverage Ratio has reduced to 0.15x which is well within the 3.5x covenant requirement when re-introduced. The Interest Cover Ratio worsened by 2.2x to 8.4x but well above the 3.0x covenant requirement.

Goodwill and Intangibles increased by $5.0m due to goodwill associated with the Fertility Solutions and Johor Bahru acquisitions and software enhancements (patient management systems).

Current Liabilities increased by $11.4m which includes $5.0m liability for the 1H20 deferred interim dividend due to be paid on 2 October 2020. In addition, timing of working capital increased trade payables and deferred revenue due to strong recovery experienced in June and July.

Right of use assets of $36.5m and Lease Liabilities of $36.3m recognised in accordance with AASB16 Leases implemented on 1 July 2019.

Statement of Financial Position and Capital Metrics (continued)

Cash Flows ($m)	FY20	FY19	Change%
EBITDA	**32.8**	**36.4**	**(9.9%)**
Movement in working capital	2.6	3.5	(25.7%)
Income taxes paid	(4.3)	(6.8)	36.8%
Net operating cash flows (post-tax)	**31.1**	**33.1**	**(6.0%)**
Capital expenditure	(7.5)	(6.5)	(15.4%)
Payments for businesses	(3.1)	-	(100%)
Cash flows used in investing activities	**(10.6)**	**(6.5)**	**(63.1%)**
Free cash flow[1]	**20.5**	**26.6**	**(22.9%)**
Proceeds from issue of shares	77.5	-	100%
Dividends paid	(7.1)	(13.2)	46.2%
Interest on borrowings	(3.5)	(3.6)	2.8%
Payments of lease liabilities	(7.2)	-	(100%)
Proceeds/(Repayment) of borrowings	(69.7)	(9.0)	(674%)
Other	0.3	(0.4)	175.0%
Cash flows used in financing activities	**(9.7)**	**(26.2)**	**63.0%**
Net cash flow movement	10.8	0.4	2600%
Closing cash balance	**15.1**	**4.3**	**251.2%**

(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:

- Pre-tax conversion of EBITDA to operating cash flow was strong at 107.9% following 78.0% conversion at 31 December 2019;
- Investment activities continued to drive future growth including:
  - $2.5m Fertility Solutions and $0.6m Johor Bahru acquisitions (including transaction costs);
  - Capital expenditure including commencement of new Sydney CBD clinic build, new Penrith clinic, refurbishment of Dulwich clinic, medical equipment and IT infrastructure including cyber security enhancements;
- Financing activities includes the $80m equity raising (net of transaction costs) partly offset by $69.7m net repayment of debt. In addition, $7.1m FY19 final dividend paid and $1.1m for termination of interest rate swaps;
- $7.2m Payment for Leases including premises are now classified in Financial activities due to changes in AASB16 Leases.

Dividends

No final FY20 dividend has been declared by the Board. The FY20 interim dividend will be paid on 2 October 2020.

Outlook

Industry fundamentals remain strong as the community seeks assistance when trying to conceive which has not changed due to the on-going Pandemic. The Group's strong balance sheet, positions it well to navigate through the COVID-19 Pandemic and optimise future earnings through strategic and operational momentum gained during FY20 as illustrated in the Business Strategies and Prospects for Future Financial Years section below.

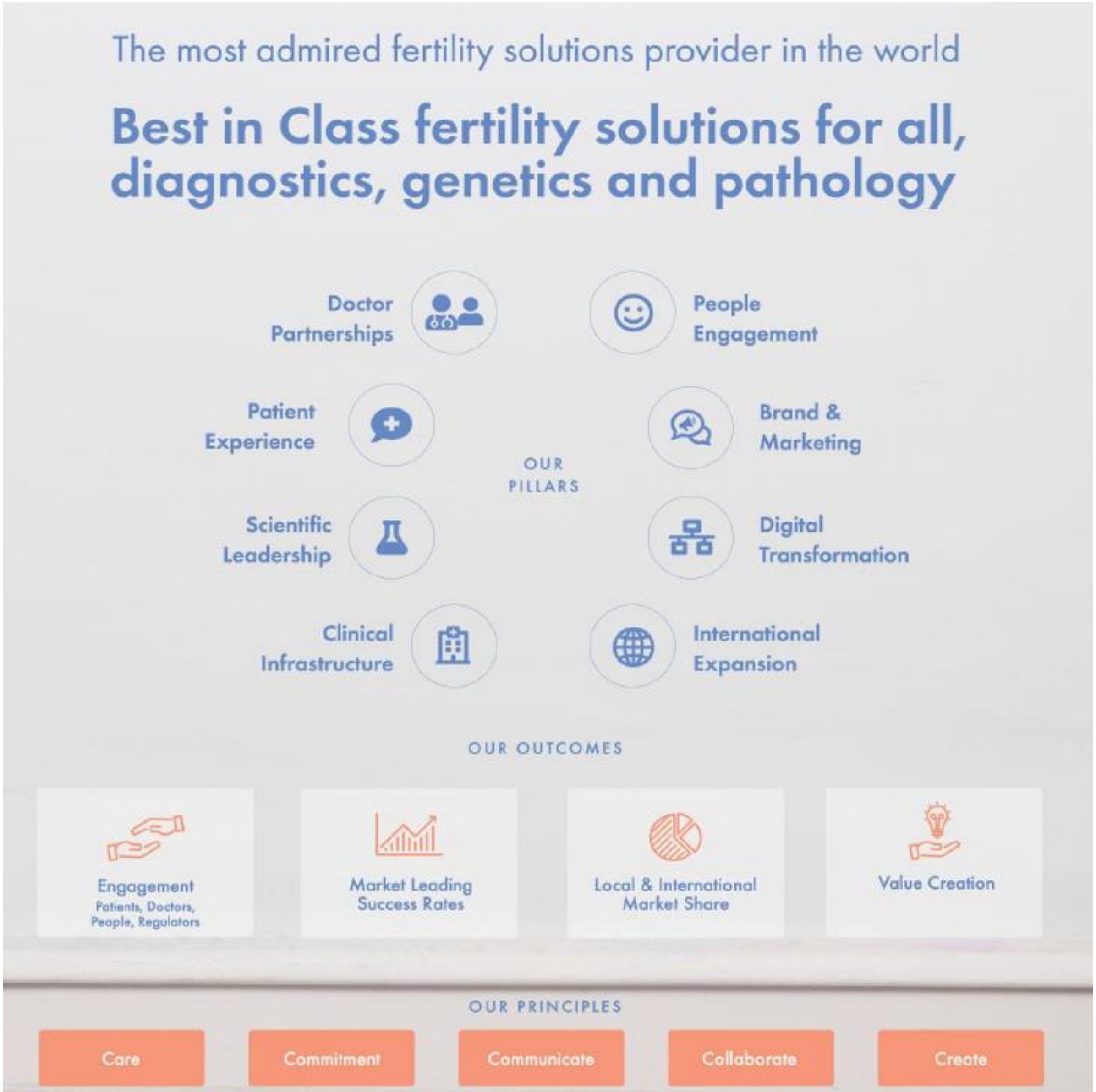
Monash IVF Group Limited
Directors' Report
for the year ended 30 June 2020

Outlook (continued)

Notwithstanding strong long-term industry fundamentals, current positive treatment volume recovery and patient pipelines, the Group is not providing FY21 guidance due to the continued uncertainty created by the on-going COVID-19 Pandemic. An update will be provided at the FY20 AGM.

Business Strategies and Prospects for Future Financial Years

Monash IVF Group's mission is to help bring life to the World by providing Best-in-Class fertility solutions to all, including diagnostics, genetics and pathology. This is supported by our Vision to be the most admired fertility solutions provider in the world by patients, doctors, our people and other industry stakeholders. Our Mission and Vision will be delivered through Our Pillars as illustrated below:



Business Strategies and Prospects for Future Financial Years (continued)

Our Pillars are defined as follows below:

Patient experience - We are committed to providing best in class clinical care across the fertility and pregnancy journey; delivering through a patient experience that is empathetic, empowering and personalised.

Doctor partnership - We will develop mutually beneficial long term partnerships with our doctors that benefits our patients through excellence in clinical care and to drive growth in our doctors' businesses.

Scientific leadership - Our focus in world-class research and science will deliver market leading success rates, innovative services and attract partnership opportunities.

Clinical infrastructure – Provide high quality, fit-for-purpose infrastructure to support our best in class offering through investing in new and existing facilities and businesses.

People engagement - Through passion, pride and capability our people are leading the way in helping bring life to the world.

Brand & marketing – Our brand and marketing conveys our leadership in reproductive health and develops strong brand salience through progressive, empathetic and empowering engagement with the community, patients and our People.

Digital transformation – Investing in next generation technology, platforms and systems to enhance interactions with our patients, doctors and People. Grow and diversify revenue streams through enhanced digital capabilities and partnerships.

International expansion - Export our expertise in fertility services to Asia and beyond through effective partnerships.

Our Pillars will drive achievement of Our Outcomes to Engage with our Key Stakeholders, continually improve our patient outcomes, grow our market share and create value for our Key Stakeholders including patients, doctors, staff and shareholders.

Key development in Our Pillars during the year are noted below:

Scientific Leadership

- Scientific advancements continue to differentiate our value proposition to patients;
- Improved success rates and preparation for national reporting guidelines and framework;
- Non-invasive pre-implantation genetic screening technology (NIPGT) is increasing use of genetic screening providing patients with an opportunity to reduce time to pregnancy;
- Implementation of multi-centre clinical trial to investigate new microinjection technology with progress made to commercialise during FY21;
- Sperm selection device development in partnership with Memphasys (ASX: MEM) is progressing with final stages of testing in a Monash IVF clinical trial;
- Group scientific collaboration on the "Monash Way" is continuing to unify scientific practices through the Group Scientific Advisory Committee (GSAC) optimising patient outcomes and creating a more scalable operation.

Doctor partnerships

- All 24 Victorian fertility specialists are now contracted with more than 97% of specialists contracted across the Group;
- Future growth and succession planning strengthened with 12 specialists currently in our fertility specialist traineeship program including two new Victorian fertility specialists ready for patient management in Q1FY21;

Business Strategies and Prospects for Future Financial Years (continued)

- Clear strategy to attract new experienced clinicians across the country;
- Priority to attract new experienced Sydney based fertility specialists to support new NSW flagship clinic in Sydney due to open in Q2;
- Exceptional contribution from our clinician group during COVID-19, supporting the safe clinical protocols and recovery;
- Creating opportunity for doctor growth and patient engagement through digital pathways (eg. Webinars/Facebook) and telehealth.

Clinic infrastructure

- New Sydney CBD flagship clinic commenced construction in June and due to open during Q2FY20;
- New Sydney CBD flagship clinic will represent best practice patient experience and is a key initiative to attract new specialists in Sydney;
- Transformation of Melbourne footprint and patient experience is progressing to ensure our infrastructure is best-in-class in our largest state based business;
- New Penrith, NSW clinic opened in October 2019 servicing the western region of NSW;
- Refurbishment of Dulwich, SA clinic – continuation of modernising clinic atmospherics to reflect best-in-class patient experience.

Patient experience

- Patient experience principle remains focussed on care, empathy, support, empowerment and a consistent patient journey throughout our network of clinics;
- Successfully maintained patient engagement during temporary suspension of services which ensured pent up patient demand converted to treatment following re-commencement of services.

Digital transformation

- Cyber security defences protected data and systems against a targeted and sophisticated cyber attack in 1H20. Upgrades and replacement of legacy systems are further enhancing patient data security;
- Technology enhancements to patient management systems are enabling improvements to interactions with patients, clinicians and employees.

People engagement

- Our pro-active approach when responding to COVID-19 included strong engagement and communication strategies to ensure our People and Patients are safe and protected in Monash IVF environments. This is a critical pillar ensuring we have a safe and secure workforce to safeguard continuity of service where possible;
- People engagement remains a key priority as we focus on recognising our People's passion and pride in working at Monash IVF. Our People continue to be rewarded for demonstrating our principles in action;
- Building and growing capability in our People is enabling us to continue to lead the way now and in the future with a focus on a specialised learning and development framework.

Brand and marketing

- New "Brave Together" advertising campaign illustrates innovative marketing investment following the recommencement of services during Q4FY20. The advertising campaign reflects our progressive, empathetic and empowering approach to patient care;
- $1.1m increase in marketing investment is supporting new patient pipeline exceeding pcp and pre COVID-19 levels during May to July;

Business Strategies and Prospects for Future Financial Years (continued)

- Enhancements to the patient engagement strategy is building knowledge, support, and empowering patients to make decisions earlier in the journey and proactively safeguard their fertility;
- Our marketing investment, innovation and strategy are key activities to engage with our Clinician group to ensure their private practices are supported by Monash IVF.

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 for:

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

The risk management framework together with the risk assessments and mitigation strategies are regularly reviewed both individually and collectively by the 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:

COVID-19 Pandemic

COVID-19 and the risk of transmission of infection may impact Monash IVF's operations in Australia and Malaysia through the imposition of government and regulatory requirements (which can change over time), including suspension of elective surgery, recommendations to postpone treatment where possible and the need for social distancing impacting staff movement within the partner healthcare system and patient willingness to access services. Monash IVF is continually working with industry bodies, regulator and governments to understand and shape regulatory positions but these positions and related actions can impact Monash IVF operations in the future. The short to medium term impact from COVID-19, particularly on levels of unemployment and movement restrictions may cause Monash IVF to experience reduction in demand for services, and may adversely impact financial performance and market position. In addition, Monash IVF employees may come into close proximity with patients and other members of the public during the course of business, increasing risk of transmission and impact on workforce. While protocols have been established and are effective in responding to the risk of transmission, the workforce may be infected with COVID-19 resulting in disruption of operations and services whilst they are isolating and/or recovering.

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.

Business Strategies and Prospects for Future Financial Years (continued)

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

Risk of increased competition

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

- Existing competitors may undertake aggressive marketing campaigns, product innovation or price discounting;
- New market entrants may participate in the Sector and gain market share;
- Further growth in low cost offerings provided by competitors may reduce the Group's market share; and
- An increase in publicly provided ARS services may reduce 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 addition, the Group has previously partnered with State based governments in the provision of publicly provided ARS services and will look to continue to partner with governments to provide greater access to ARS services to the community.

Occupational Health and Safety

Monash IVF employees are at risk of workplace accidents and incidents. In the event that a Monash IVF employee is injured in the course of their employment, Monash IVF may be liable for penalties or damages. This has the potential to harm both the reputation and financial performance of Monash IVF.

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 (Chairman). 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 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 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 Resigned effective 29 June 2020	Ms Christy Boyce joined the Group in June 2014. Christy is also a director of Port Jackson Partners. Christy is a former director of Greencross Limited and Oneview Healthcare. Christy has over 20 years of management consulting experience in both Australia and the United States and has worked extensively with major corporations on corporate strategy. Prior to joining Port Jackson Partners, Christy spent 14 years with McKinsey and Company, where she was a partner. She holds a Bachelor of Economics from the University of Sydney, a Masters of Management from the Kellogg Graduate School of Business (Northwestern University) and is a Graduate Member of the Australian Institute of Company Directors.
Mr Neil Broekhuizen Independent Non-executive Director Member of Audit & Risk Management Committee	Mr. Neil Broekhuizen is the Joint Chief Executive Officer of Ironbridge. Neil has over 30 years experience in the finance industry, including 27 years in private equity with Investcorp and Bridgepoint in Europe, and Ironbridge in Australia. He has sat on the Ironbridge Investment Committee since inception. Neil is currently the Independent Non-executive Chairman of Bravura Solutions, having previously served as a director. Neil is qualified as a Chartered Accountant and holds a BSC (Eng) Honours degree from Imperial College, University of London.

Information on directors (continued)

Director	Experience
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.
Ms Zita Peach Independent Non-executive Director Chair of Remuneration & Nomination Committee effective 1 July 2020	Ms Zita Peach has more than 25 years of commercial experience in the pharmaceutical, biotechnology, medical devices and health services industries, and has worked for major industry players such as CSL Limited and Merck Sharp & Dohme, the Australian subsidiary of Merck Inc. Zita's most recent executive position is 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. Zita is Chair of Pacific Smiles Group Limited and Non-executive Director of ASX-listed, Starpharma Holdings Limited and Visioneering Technologies, inc. She 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 Michael Knaap Chief Executive Officer Managing Director	Mr Michael Knaap joined Monash IVF Group in August 2015 as the Chief Financial Officer and Company Secretary. In October 2018 Mr. Knaap was appointed Interim CEO and in April 2019 he was appointed Chief Executive Officer and Managing Director. Michael has more than 17 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.

Company Secretary

Mr Malik Jainudeen was appointed to the role of Monash IVF Group Chief Financial Officer and Company Secretary on 15 April 2019.

Malik joined Monash IVF Group in 2014 as a senior finance leader and has continued to progress his career with Monash IVF Group. Malik has more than 15 years experience in the finance sector including 10 years at KPMG as a Manager in Audit and Assurance where his client portfolio included ASX listed organisations Origin Energy Limited, AusNet Services and Dulux Group Limited. Malik was also the External Audit Manager for the Monash IVF Group for 6 years prior to its listing on the ASX in 2014.

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	Eligible to Attend
Mr Richard Davis (Chair)	18	18
Mr Josef Czyzewski	17	18
Ms Christy Boyce	18	18
Ms Zita Peach	18	18
Mr Neil Broekhuizen	18	18
Dr Richard Henshaw	17	18
Mr. Michael Knaap	18	18

For the purposes of the equity raising, a Due Diligence Working Group (DDWG) was created which included participation from Richard Davis, Josef Czyzewski, Neil Broekhuizen, Michael Knaap and Malik Jainudeen (CFO). There were six DDWG meetings held and were attended by all participants.

In addition, the Board of Directors participated in numerous teleconferences to the above formal Board meetings, in particular in response to the emerging COVID-19 Pandemic in March, April and May 2020.

Committee meetings

	ARC		REM	
Member	Attended	Held	Attended	Held
Mr Richard Davis	4	4	5	5
Mr Josef Czyzewski (ARC Chair)	4	4	4	5
Ms Christy Boyce (REM Chair)	4	4	5	5
Ms Zita Peach	n/a	n/a	5	5
Mr Neil Broekhuizen	4	4	n/a	n/a

The Company's Directors present the 2020 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 2020 ("FY20"). 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.

Executive Summary

The 2020 financial year has seen unprecedented challenges across Australia with the global COVID-19 pandemic.

Throughout the year the employees of Monash IVF Group have worked tirelessly to adjust to these challenges, enabling the Monash IVF Group to deliver quality patient care in a safe manner that protects our patients, our people and our doctors.

In response to the challenges being faced during this time, and considering the circumstances and performance in FY20, the following remuneration outcomes relate to FY20 and FY21;

- Short-term incentive (STI) payments for KMP in FY20 reflect the achievement of non-financial metrics ranging from 15-20%. No STI was payable for financial achievements in FY20.
- Long Term Incentive (LTI) FY18 plans relating to EPS and TSR are not expected to vest due to performance.

Increases to the 2021 financial year fixed pay for KMP including Executives have been placed on hold for review in January 2021.

- No increase to the 2021 financial year fees for Directors.

In taking these decisions, the Board has been mindful that returns to shareholders for the 2020 financial year did not meet our expectations. At the same time, the Board wants to acknowledge the considerable efforts of employees across the Group, and to thank them as they have continued to provide high quality service to our patients through difficult times and events and supporting our strong recovery.

The Monash IVF Executive team are commended for their commitment and have worked closely with the Board to navigate the COVID-19 situation with increased consultation meetings to ensure alignment with the regulatory requirements, government recommendations, workforce planning including Stand down periods, Job Keeper, restructuring and undertaking a Capital Equity Raise.

The Monash IV Group Executive had also been focused on preparing plans for strong and fast market share growth. The Board will consider in FY21 a special bonus of 5% of TFR available should market share targets be met over the first 3 month period post shutdown.

Our 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 FY20 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 performance based and at risk relative to industry peers. The Board varies rewards to Management in accordance with short and long term financial performance.

COVID-19 continues to have an impact on many of our patients, employees, doctors and on the community more widely. We will continue to be guided by our principles as we support our patients, our people and our doctors in these challenging times.

Director and KMP Changes in FY20

There have been two changes to Directors and KMP in 2020. These include;

- Director, Christy Boyce tendered her resignation on 29 June 2020. In the ASX announcement made on 29 June 2020 it was stated that, during Ms Boyce's tenure as a non-executive director, she retained her partnership at Port Jackson Partners, a boutique strategy consulting firm. Port Jackson Partners has recently been acquired by Ernst & Young (EY) and Ms Boyce was appointed a partner of EY. As EY's policy stipulates that 'Partners and Employees should not serve as directors, officers or trustees of entities

Director and KMP Changes in FY20 (continued)

- with publicly traded shares, or debt and for-profit private entities', Ms Boyce must resign as a Director of the Company. The Board will undertake a search to appoint a new non-executive director.

- On the 27th March 2020, Brett Comer the Chief Operations Officer tendered his resignation. Following this Monash IVF Group made an internal succession appointment of Hamish Hamilton to the position of Chief Operations Officer on 30th March 2020. Hamish Hamilton has been with Monash IVF Group since 2009 and has extensive experience in science and scientific leadership and operational leadership. He has held positions including Scientific Director in Darwin, General Manager Repromed & Regional Manager SA/NT and Ultrasound and has provided interim leadership for both QLD and NSW.

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. Ms Christina Boyce chaired the Remuneration and Nomination Committee until her resignation on 29th June 2020. 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. Ms Zita Peach was appointed to the Remuneration Chair on 23 June 2020.

During FY20, the Remuneration and Nomination Committee met five 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 FY20.

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

- Group remuneration principles, 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 Incentive plans
- Terms and conditions associated with incentive plans including equity plan rules, escrow and other restrictions on disposal
- Structure and quantum of Senior Executive termination payments
- Treatment of outstanding incentives in case of cessation of employment
- Exercise of malus or clawback if relevant to incentive plan payments.

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

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

1.0 Remuneration Snapshot (continued)

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 2020. 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 organisation allowing for sustainable business growth
- Encompass long term and short term variable performance elements for Executives, employees and contractors who have the ability to impact overall organisation performance to best align incentives
- Support the business strategy
- Reinforce the organisations mission, principles 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)	• Is determined as base salary and inclusive of all standard leave provisions and superannuation guaranteed contributions. • Reflects the individuals' accountability, position requirements and experience. • Benchmarked by the scale and size of the company.
Short Term Incentive (STI)	• Ensures a proportion of remuneration is tied to key performance indicators for the relevant financial year and aligned to the strategic goals of the organization. • The STI is available to eligible employees and is based on a balanced scorecard of financial and non-financial objectives.
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 FY20 for the CEO, CFO and COO had three components, two of which vary with performance. TFR levels sit at or below median for similar organisations. A higher proportion performance based remuneration is at risk relative to peers. The remuneration structure aligns the remuneration opportunity with the level of position accountability.

2.0 Remuneration Policy (continued)

The diagram below summarises the framework for FY20. The framework continues to be reviewed each year.

Executive Remuneration Framework

Total Fixed Remuneration (TFR)	**At Risk Remuneration**	
Comprises:	**Short Term Incentive (STI)**	**Long Term Incentive Plan (LTI)**

• Cash salary
• Salary sacrifice items
• Employer superannuation contributions in line with statutory regulations
TFR is determined on the basis of market rates (where applicable, the size and complexity of the role and the individual's skill and experience relative to position requirements).
TFR is at or below median for companies of similar size.
	• The STI includes a Non-Financial Gateway (ANZARD Success Rate Average)
	• Financial Measure (70%) being EBITDA for Group and/or Specific Business Units
	• Non-financial Measures (30%) are linked to key strategic initiatives built around a balanced scorecard including but not limited to;
	  • Engagement (People, Patient, Doctor)
	  • Market Share
	  • Scientific Success Rates
		• EPS growth hurdles based on predefined growth rates over a 3 year period (50%)
		• TSR hurdles based on Group's relative TSR performance against ASX300 Healthcare Index (50%)
		Comprise share rights which vest in accordance with 3 year EPS growth and relative TSR above threshold performance requirement.

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

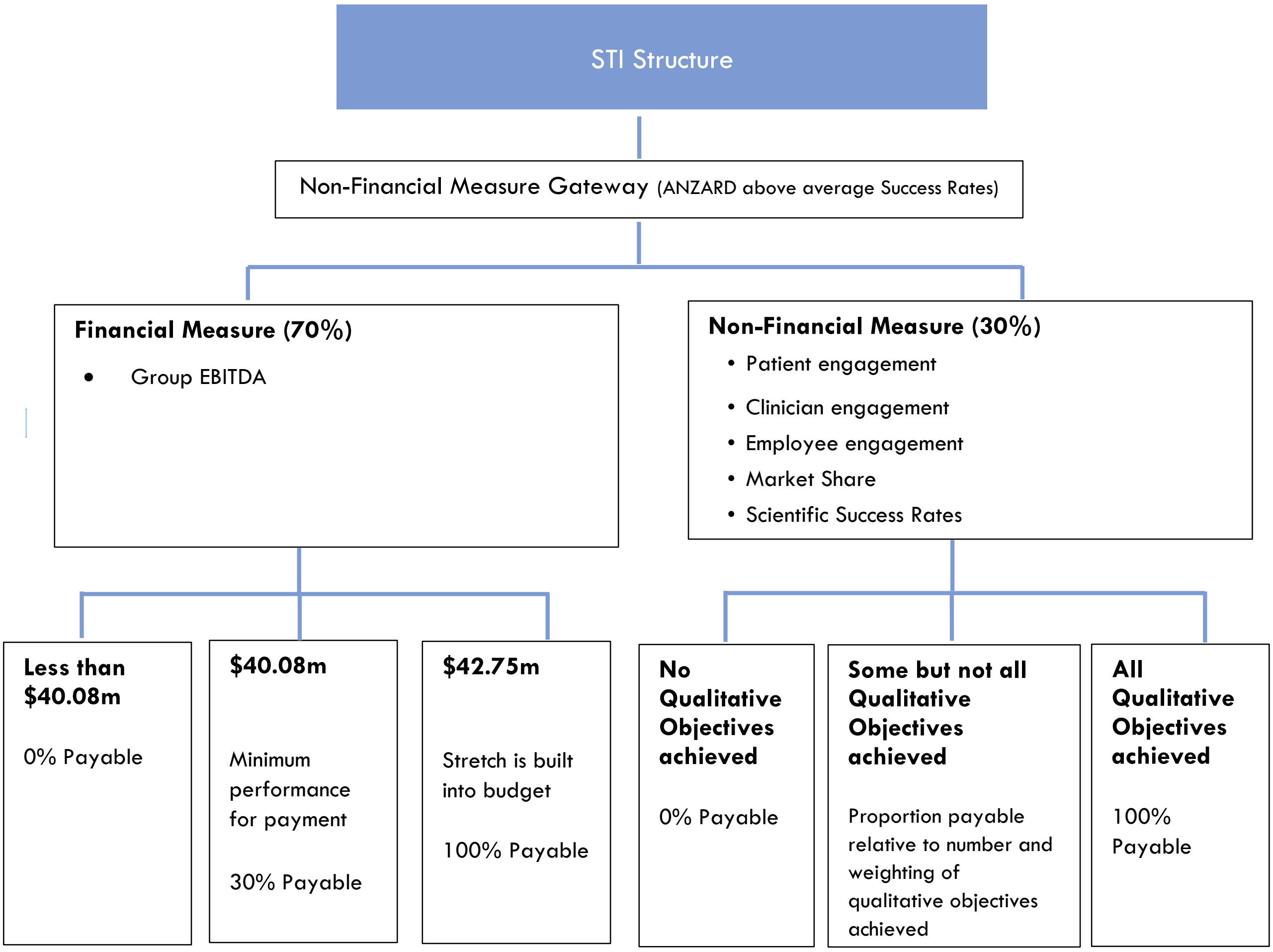
TFR levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers market rates and individual experience in the position. TFR is also reviewed on promotion. There are no guaranteed increases in base pay or superannuation included in executive contracts.

KMP TFR sits at or below the median level for ASX listed companies of similar size (based on a market capital of $175M - $375M).

2.0 Remuneration Policy (continued)

Short-term Incentive Plan

Overview of FY20 Short term incentive plan:



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.

The introduction of a Non-Financial Gateway was introduced in FY20 for the Short Term Incentive Plan (STI). This target required the Group to achieve above the average ANZARD (Australia and New Zealand Assisted Reproduction Database) clinical pregnancy rates (success rates). In FY20 Clinical Pregnancy rates achieved were above the ANZARD average.

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, threshold performance was set at $40.08m for FY20. At this level, 30% of the amount allocated for EBITDA achievement is payable. Stretch EBITDA performance was set at $42.75m, at which the entire amount allocated for EBITDA is payable. Achievement between these two levels of performance results in a pro-rata payment of STI.

The qualitative non-financial measures defined for KMP (including the CEO) include Patient Engagement which is measured using Patient NPS, Clinician Engagement assessed using an annual Doctor Engagement survey, Employee Engagement also measured annually using an employee engagement survey, Scientific Success Rates based on clinical pregnancy rates and Market Share based on MBS data. The CEO and CFO both were measured on

2.0 Remuneration Policy (continued)

International Expansion targets and the CFO included a Domestic Acquisition target. In FY20 the maximum STI payout for KMP's was 20% of the Non-Financial metrics.

STI in FY21

In FY20 Monash IVF Group performed a review of the STI framework and will introduce the following change to the Financial Metric in FY21. The Financial Metric change will replace Group EBITDA for an Earnings Per Share (EPS) target to further align variable incentives to shareholder value.

Long-term Incentive plan

KMP including CEO, CFO & COO are eligible to receive an LTI grant. 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 Board 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 Board.
- Awards will only vest where the conditions advised to the participant by the Board 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 Board, 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 Board 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 Board may determine that the participant's unvested awards will become vested awards. In such circumstances, the Board 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 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.

2.0 Remuneration Policy (continued)

Overview of the FY20 LTI Plan:

Performance Rights Granted

EPS Compound Annual Growth Rate
("EPS Hurdle")
50% of allocation subject to the hurdle

Vesting Framework

The EPS component of the allocation will be measured at the end of the 3-year performance period.

20% will vest at threshold performance.
100% will vest at maximum performance, with pro-rata vesting between threshold and maximum.

EPS threshold performance is 10% per annum over the three-year period

Relative Total Shareholder Return
("TSR Hurdle")
50% of allocation subject to the hurdle

Vesting Framework

The TSR component of the allocation will be measured at the end of the 3-year performance period relative to the ASX300 Healthcare Accumulation Index (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

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.

Performance rights were granted in two tranches during FY20, with each tranche subject to separate vesting conditions. 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.

Details of current performance rights granted to Executives during FY20 are set out in the following table:

Name	Hurdle	Weighting	Performance Rights Granted
Mr. Michael Knaap (CEO)	EPS	50%	147,205
	TSR	50%	147,205
Mr. Malik Jainudeen (CFO)	EPS	50%	36,801
	TSR	50%	36,801

The performance periods and vesting schedules for the performance rights granted in FY20 are as follows:

Performance Measure	Performance Period
Earnings Per Share	1 July 2019 to 30 June 2022
Relative TSR	11 days after FY19 results announcement to 11 days after FY22 results announcement

2.0 Remuneration Policy (continued)

Earnings per share	
Performance	**% of rights that will vest**
Less than 10%	0%
10%	20%
Between 10 and 12%	20% to 100% (pro-rata)
Greater than or equal to 12%	100%

Relative TSR	
Performance	**% of rights that will vest**
Less than ASX300 Healthcare Index	0%
Equal to ASX300 Healthcare Index	20%
Between ASX300 Healthcare Index and ASX300 Healthcare Index + 5%	20% to 100% (pro-rata)
Greater than ASX300 Healthcare Index + 5%	100%

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.

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 2020 financial year, the fees payable to the current NEDs are $569,943 in aggregate.

Role	2020 $	2019 $
Fees		
Chair	143,222	139,050
Other Non-Executive Directors	89,116	86,520
Additional Fees		
Audit & Risk Committee – Chair	16,974	16,480
Audit & Risk Committee – Member	8,487	8,240
Remuneration & Nomination Committee – Chair	16,974	16,480
Remuneration & Nomination Committee – Member	8,487	8,240

3.0 Executive and Non-Executive Remuneration

Remuneration Summary

The Executive Remuneration outcomes for FY20 for the CEO and KMP Executives reflect the performance outcomes achieved over the year.

Executive	Component	Commentary
CEO **Michael Knaap**	TFR	$500,000 per annum.
	STI	The CEO has the opportunity to earn an annual incentive of 60% of his total fixed remuneration package based on meeting certain defined criteria. The FY20 STI criteria were subject to both financial (70%) and non-financial (30%) outcomes.
	LTI (Performance Rights)	294,410 performance rights were granted in FY20. These rights vest at the end of the 3 year performance period subject to meeting certain EPS and TSR outcomes.
	Notice Period	6 Months
	Term of Agreement	No Fixed Term
Executive Director **Dr Richard Henshaw**	TFR	$346,951 per annum. Dr Richard Henshaw was the only doctor during FY20 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 **Malik Jainudeen**	**TFR**	$300,000 per annum.
	STI	The CFO has the opportunity to earn an annual incentive of 30% of his total fixed remuneration package based on meeting certain defined criteria. The FY20 STI criteria were subject to both financial (70%) and non-financial (30%) outcomes.
	LTI (Performance Rights)	73,602 performance rights were granted in FY20. 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** COO for the period of 1 July 2019 to 27 March 2020	TFR	$350,000 per annum
	STI	n/a
	LTI (Performance Rights)	COO forfeited performance rights due to his resignation.
	Notice Period	n/a
	Term of Agreement	n/a

3.0 Executive and Non-Executive Remuneration (continued)

Executive	Component	Commentary
COO **Hamish Hamilton** COO for the period from 30 March 2020	TFR	$300,000 per annum
	STI	The COO has the opportunity to earn an annual incentive of 30% of his total fixed remuneration package based on meeting certain defined criteria. The FY20 STI criteria were subject to both financial (70%) and non-financial (30%) outcomes.
	LTI (Performance Rights)	No performance rights were granted in FY20
	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 (%)
Mr. Michael Knaap	45.4	27.3	27.3
Mr. Richard Henshaw	100	-	-
Mr. Malik Jainudeen	64.5	19.4	16.1
Mr Hamish Hamilton[(1)]	76.9	23.1	-

[(1)] Mr Hamish Hamilton commenced as COO on 30 March 2020 and is considered KMP from that date. The proportional weighting of each element of remuneration has been calculated from 30 March 2020 and in accordance with the contract terms of the position held from this time.

3.1 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	From 1 July 2020 to 29 June 2020
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 Michael Knaap	Chief Executive Officer	Full Financial Year
Dr Richard Henshaw	Executive Director	Full Financial Year
Other KMP		
Mr Malik Jainudeen	Chief Financial Officer	Full Financial Year
Mr Brett Comer	Chief Operations Officer	From 1 July 2020 – 27 March 2020
Mr Hamish Hamilton	Chief Operations Officer	From 30 March 2020

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

		Short term employee benefits				Post-employment benefits			Share based payments	
		Salary & fees $	STI Cash incentive $	Other benefits $	Total $	Superannuation $	Other long term benefits $	Termination benefits $	Rights $	Total $
Non-Executive Directors										
Mr Richard Davis[(1)]	**2020**	**142,640**	**-**	**-**	**142,640**	**13,551**	**-**	**-**	**-**	**156,191**
	2019	142,037	-	-	142,037	13,493	-	-	-	155,530
Mr Josef Czyzewski[(1)]	**2020**	**102,021**	**-**	**-**	**102,021**	**9,692**	**-**	**-**	**-**	**111,713**
	2019	101,589	-	-	101,589	9,651	-	-	-	111,240
Ms Christina Boyce[(1)]	**2020**	**102,021**	**-**	**-**	**102,021**	**9,692**	**-**	**-**	**-**	**111,713**
	2019	101,589	-	-	101,589	9,651	-	-	-	111,240
Mr Neil Broekhuizen[(1)]	**2020**	**86,907**	**-**	**-**	**86,907**	**8,256**	**-**	**-**	**-**	**95,163**
	2019	86,539	-	-	86,539	8,221	-	-	-	94,760
Ms Zita Peach[(1)]	**2020**	**86,907**	**-**	**-**	**86,907**	**8,256**	**-**	**-**	**-**	**95,163**
	2019	86,539	-	-	86,539	8,221	-	-	-	94,760
Total Non-Executive Directors	**2020**	**520,496**	**-**	**-**	**520,496**	**49,447**	**-**	**-**	**-**	**569,943**
	2019	518,293	-	-	518,293	49,237	-	-	-	567,530
Executive Directors										
Mr Michael Knaap[(2)]	**2020**	**479,471**	**49,500**	**-**	**528,971**	**21,002**	**-**	**-**	**11,475**	**561,448**
	2019	401,706	43,884	35,076	480,666	20,531	-	-	18,968	520,165
Dr Richard Henshaw	**2020**	**325,948**	**-**	**-**	**325,948**	**21,003**	**-**	**-**	**-**	**346,951**
	2019	292,147	-	-	292,147	24,977	-	-	-	317,124
Mr David Morris[(3)]	**2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2019	147,678	-	-	147,678	10,066	-	484,156	(27,544)	614,356
Total Executive Directors	**2020**	**805,419**	**49,500**	**-**	**854,919**	**42,005**	**-**	**-**	**11,475**	**908,399**
	2019	841,531	43,884	35,076	920,491	55,574	-	484,156	(8,576)	1,451,645

(1) Includes Board Remuneration reduction of 30% in the month of April in response to COVID-19.
(2) In FY19, Mr Michael Knaap was appointed interim CEO on 9 October 2018. Prior to this date he was CFO and Company Secretary. On 15 April 2019 he was appointed CEO & Managing Director. The total remuneration for the period Mr Knaap acted as CEO & Managing Director was $103,792. Total remuneration for the period Mr Knaap acted as CEO and Interim CEO was $416,373. Mr Knaap received a higher duties allowance whilst acting as Interim CEO over the period of October 2018 to April 2019.
(3) Mr David Morris ceased his employment on 9 October 2018.

3.1 Details of Remuneration for Key Management Personnel (continued)

		Short term employee benefits				Post-employment benefits			Share based payments	
		Salary & fees $	STI Cash incentive $	Other benefits $	Total $	Superannuation $	Other long term benefits $	Termination benefits $	Rights $	Total $
Other Key Management										
Mr. Malik Jainudeen [(1)]	**2020**	**279,469**	**14,850**	**-**	**294,319**	**21,003**	**-**	**-**	**6,641**	**321,963**
	2019	157,228	12,423	34,747	204,398	15,252	-	-	-	219,650
Mr. Hamish Hamilton [(2)]	**2020**	**244,013**	**12,841**	**-**	**256,854**	**21,003**	**-**	**-**	**-**	**277,857**
	2019	-	-	-	-	-	-	-	-	-
Mr Brett Comer [(3)]	**2020**	**267,580**	**-**	**-**	**267,580**	**15,040**	**50,576**	**-**	(12,145)	**321,051**
	2019	317,262	22,430	-	339,692	25,000	-	-	12,145	376,837
Total Other Key Management Personnel	**2020**	**791,062**	**27,691**	**-**	**818,753**	**57,046**	**50,576**	**-**	**(5,504)**	**920,871**
	2019	474,490	34,853	34,747	544,090	40,252	-	-	12,145	596,487
Total KMP Remuneration	**2020**	**2,116,977**	**77,191**	**-**	**2,194,168**	**148,498**	**50,576**	**-**	**5,971**	**2,399,213**
	2019	1,834,314	78,737	69,823	1,982,874	145,063	-	484,156	3,569	2,615,662

(1) In FY19, Mr Malik Jainudeen commenced as Interim CFO on 9 October 2018 and is considered Key Management Personnel from that date. On 15 April 2019 he was appointed CFO & Company Secretary. Mr Malik Jainudeen received a Higher Duties Allowance whilst acting as Interim CFO over the period of October 2018 to April 2019.
(2) Mr Hamish Hamilton commenced in the position of COO on 30 March 2020.and is considered Key Management Personnel from that date.
(3) Mr Brett Comer ceased his employment on 27 March 2020, other benefits include all entitlements paid out. Mr Brett comer received share rights in FY20 and were forfeited upon his resignation.

3.1 Details of Remuneration for Key Management Personnel (continued)

Details of unvested performance rights and the movement during the financial year is detailed below:

Name	Type	Hurdles	Grant Date	Performance Period End Date	Balance of Unvested Equity 1 Jul 19	Granted in FY20		Vested in FY20	Lapsed or Forfeited	Balance of Unvested Equity 30 Jun 2020	Fair Value per Security
					Number	Number		Number	Number	Number	$
Mr. Michael Knaap	Rights	TSR	17-Mar-17	9-Sep-19	19,447	-		-	(19,447)	-	0.63
	Rights	EPS	29-Jan-18	30-Jun-20	29,680	-		-	(29,680)	-	1.19
	Rights	TSR	29-Jan-18	4-Sep-20	29,680	-		-	-	29,680	0.49
	Rights	EPS	20-Dec-18	30-Jun-21	57,145	-		-	-	57,145	1.00
	Rights	TSR	20-Dec-18	30-Aug-21	24,490	-		-	-	24,490	0.45
	Rights	EPS	16-Oct-19	30-Jun-22	-	147,205		-	-	147,205	0.94
	Rights	TSR	16-Oct-19	30-Jun-22	-	147,205		-	-	147,205	0.46
					160,442	**294,410**		**-**	**(49,127)**	**405,725**	
Mr. Malik Jainudeen	Rights	EPS	16-Oct-19	30-Jun-22	-	36,801		-	-	36,801	0.94
	Rights	TSR	16-Oct-19	30-Jun-22	-	36,801		-	-	36,801	0.46
					-	**73,602**		**-**	**-**	**73,602**	
Mr. Brett Comer [1]	Rights	EPS	20-Dec-18	30-Jun-20	51,426	-		-	(51,426)	-	1.00
	Rights	TSR	20-Dec-18	30-Aug-21	22,040	-	-	-	(22,040)	-	0.45
	Rights	EPS	16-Oct-19	30-Jun-22	-	51,522	-	-	(51,522)	-	0.94
	Rights	TSR	16-Oct-19	30-Jun-22	-	51,521	-	-	(51,521)	-	0.46
					73,466	**103,043**		**-**	**(176,509)**	**-**	
Total					**233,908**	**471,055**		**-**	**(225,636)**	**479,327**	

[1] Mr Brett Comer tendered his resignation on 27 March 2020 therefore forfeits all performance rights.

3.1 Details of Remuneration for Key Management Personnel (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 (2020)			Cash Incentive (2019)		
		% of Available Incentive			% of Available Incentive	
	Payable $	Payable %	Not Payable %	Paid $	Paid %	Not Paid %
Executive Directors						
Mr Michael Knaap	49,500	16.5	83.5	43,884	21.4	78.6
Dr Richard Henshaw	-	-	-	-	-	-
Other Key Management Personnel						
Mr Malik Jainudeen	14,850	16.5	83.5	12,423	25.0%	75.0
Mr Brett Comer	-	-	-	22,430	21.4%	78.6
Mr Hamish Hamilton	12,841	20	80	-	-	-

STI Non – Financial

The qualitative non-financial measures defined for KMP in Fy20 included the following:

Strategic Objective	Measure	FY20 Outcome
Patient Engagement	Deliver an ongoing improvement in Patient Engagement. A patient NPS Survey is undertaken.	Partial Achievement Due to COVID-19 IVF was significantly impacted whilst Ultrasound maintained a strong NPS.
People Engagement	To foster a culture of Engagement with all Monash IVF Group employees, assessed via an annual employee survey on improvement targets	Achieved
Doctor Engagement	Foster a culture of engagement with all Monash IVF Group Clinicians, assessed via a clinician engagement survey on improvement targets	Achieved
Scientific Success Rates	Deliver a focused improvement in clinical pregnancy success rates above ANZARD and improvement above previous year	Achieved
Domestic Market Growth	Increase market share growth in all IVF Key markets	Not Achieved

Note: CEO and CFO Non-Financial Metrics included a focus on the International Expansion. In addition, the CFO included a metric focused on Domestic Acquisitive Growth. In FY20 these measures were not achieved due to the impact of COVID-19 and resources realigned to the hibernation and recovery requirements associated to COVID-19.

3.2 Loans to Key Management Personnel

No loans were issued to KMP during 2020.

3.3 Key Management Personnel Shareholdings

The following details Monash IVF Group ordinary shares held by Directors and KMP during 2020:

Name	Balance at start of year	Granted as remuneration	Net Change	Balance at end of year
Non-Executive Directors				
Mr Richard Davis	52,799	-	129,268	182,067
Mr Josef Czyzewski	142,027	-	99,355	241,382
Ms Christina Boyce	106,215	-	48,104	154,319
Mr Neil Broekhuizen	100,000	-	32,787	132,787
Ms Zita Peach	56,000	-	36,803	92,803
Executive Directors				
Mr Michael Knaap	54,444	-	96,211	150,655
Dr Richard Henshaw	1,411,632	-	(52,790)	1,358,842
Other Key Management Personnel				
Mr Malik Jainudeen	-	-	19,231	19,231
Mr Hamish Hamilton	N/A	-	71,535	71,535
Mr Brett Comer	-	-	-	N/A
Total	**1,923,117**	**-**	**480,504**	**2,403,621**

(1) Net Change primarily comprises pro rata allocations from the $80M Equity Raising completed in May 2020.

4.0 Link to Group Performance

4.1 Group Performance

The revenue and earnings of the Group for the five years to 30 June 2020 are summarised below:

Measure	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Revenue	145,417	151,980	150,736	155,182	156,561
Reported EBITDA	32,833	37,242	38,109	48,974	49,584
Adjusted EBITDA (2)	34,797	37,815	38,109	48,974	49,584
Net Profit After Tax (1)	11,726	19,807	21,181	29,619	28,775
STI Payable	24.1%	29.4%	0%	17.8%	84.6%
Total Shareholder Return (1)	-61%	34%	-35%	3%	48%
Closing Share Price ($)	0.53	1.40	1.08	1.78	1.82
Dividend Per Share (cents)	2.1	6.0	6.0	8.8	8.5
Earnings per Share (cents) (1)	4.6	8.4	9.1	12.6	12.2

1) 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.

2) Adjusted reflects non-regular items relating to transaction costs on acquisition activity ($539,000 pre-tax), restructuring costs ($848,000) pre-tax), certain pre-IPO patient claim ($728,000 pre-tax).

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 growth 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

Subsequent to 30 June 2020 and related to the COVID-19 Pandemic, the Group's largest operating market, Victoria in Australia has experienced a surge in COVID-19 cases resulting in its capital city, Melbourne moving to Stage 4 restrictions. Whilst this is disrupting operational efficiency and patient movement, provision of IVF and Ultrasound services are continuing notwithstanding Stage 4 restrictions. IVF services are exempt from the non-urgent elective surgery ban in-place in Victoria due to the service being "time critical and has minimal impact on hospital bed capacity".

Effective 24 August 2020, the Group has right sized the $110m Syndicated Debt Facility to $40m. The $40m accordion facility remains available for acquisitions and capital expenditure.

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

Environmental regulations

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

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 35 and forms part of the directors' report for the year ended 30 June 2020.

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

Richard Davis
Chairman

Michael Knaap
Chief Executive Officer and Managing Director

Dated in Melbourne this 24th day of August 2020

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 2020 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
24 August 2020

Corporate Governance Statement

This statement, approved by the Board, reports on the Group's key governance framework, principles and practices as at 30 June 2020. 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, Michael Knaap, has responsibility for day-to-day management of Monash IVF Group Ltd in its entirety. Michael was previously the Chief Financial Officer and held the position of Interim Chief Executive Officer between October 2018 and April 2019. Michael was appointed to Chief Executive Officer and Managing Director on 15 April 2019 and 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, such as experience, education, criminal record and bankruptcy history, 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.

With the exception of the Managing Director & CEO, one third of all eligible Directors, and any other Director who has held office for over three years since their last election, must retire in rotation at the Annual General Meeting (AGM). This is in accordance with the Company's Constitution. A retiring Director holds office until the conclusion of the meeting at which he or she retires. They may stand for re-election by security holders at that meeting. The Board may appoint a new Director to fill a casual vacancy and that Director will hold office until the close of the next AGM, unless elected at that meeting.

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

The Board makes recommendations in respect of the election or re-election of each Director based on tenure, skills and experience of the Director in relation to Board composition. The Nomination and Remuneration Committee ensures that appropriate background checks take place for the appointment of a new Director. The details of those Directors who stand for re-election will be provided in the Notice of Meeting which is sent to security holders prior to the AGM. The Board provides security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director, in addition a statement by the Board as to whether it supports the election or re-election of the candidate and a summary of the reasons as to why the Board has taken this view. Additionally, each Director standing for re-election makes a short presentation to security holders at the meeting itself.

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.

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 Malik Jainudeen was appointed in the role of Company Secretary and Chief Financial Officer with Monash IVF Group Ltd in April 2019. Malik'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	8	57%
Team Leader	35	92%
Total Staff (inc above)	590	91%

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 confirms compliance with the Workplace Gender Equality Agency (Agency) for the 2019-20 reporting period and confirms compliance with the Workplace Gender Equality Act 2012 (Act). Monash IVF Group achieves diversity above industry standard with 50% female representation of Executives reporting to the CEO. Board representation continues to be targeted at a minimum of 30% female representation.

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 FY20, 51 employees have taken primary and secondary parental leave, utilizing the Group's generous parental leave policy. Flexible hour working arrangements either formally and informally are widely used across Monash IVF Group.

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

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

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 FY20 Monash IVF Group continued their partnership 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 including awareness and education.

1.6 Director Performance Evaluation

The Remuneration and Nomination Committee Chair 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 July 2019. 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 performance evaluation process has been undertaken in accordance with this policy for the current financial year. 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. Michael Knaap's 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

Principle 2 Structure of the Board to add value (continued)

in-place; the Remuneration and Nomination Committee and the Audit and Risk Committee. The Board Charter prescribes that all committee members be Independent Directors.

A summary of the Board members, their roles, independence and appointment dates are as follows:

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 (resigned 29/6/20)
Ms Zita Peach	Independent non-executive Director	Yes	12/10/2016
Mr Neil Broekhuizen	Independent non-executive Director	Yes	4/6/2014
Mr Michael Knaap	CEO and Managing Director	No – CEO and Managing Director	15/4/2019
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

Following the resignation of the Chair of the Remuneration and Nomination Committee, Christina Boyce on 29 June 2020, Ms Zita Peach has been appointed the Chair of the Remuneration and Nomination Committee. It is anticipated that a new member of the Remuneration and Nomination Committee will be appointed.

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

- Ms Zita Peach (Chair)
- Mr Richard Davis
- Mr Josef Czyzewski
- To be appointed

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;

Principle 2 Structure of the Board to add value (continued)

- 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 Board of Director skill set during FY20:

	Mr Richard Davis	Mr Joe Czyzewski	Ms Zita Peach	Mr Neil Broekhuizen	Dr Richard Henshaw	Mr Michael Knaap
Executive Leadership *Held an executive leadership position, publicly listed or large private multinational. Expertise in engaging multiple stakeholders, and delivering sustainable success.*	●	●	●	◑	◕	●
Strategic Direction Setting *Experience and track record in constructively reviewing, and challenging a plan of action designed to achieve the long term goals of the organisation.*	●	◕	●	◕	●	◕
New Business Development *Background in business development that delivers long term value to the organisation.*	◕	◑	●	●	◕	◕
Mergers and Acquisitions *Experience in M&A including implementation advisory.*	●	●	●	●	◕	◕
International Business Development *Knowledge and experience in overseas markets in which the company operates including cultural, political, regulatory and business requirements.*	◕	◕	●	◕	◔	◕
Health Services *Successful experience in industry health and/or the health services sector.*	◔	◔	◕	◑	●	◑
Clinical / Medical Experience *Demonstrated experience and held a successful clinical position relevant to the organisation.*	○	○	○	○	●	○
Accounting/Finance *Experience in financial accounting and reporting, corporate fiancé, risk and internal controls.*	●	●	◕	●	○	●
Regulatory / Government Relations *Legal background or experience in regulatory and public policy. Experience in risk and mitigation principles*	◑	◑	◕	◑	◕	◑
Technology *Expertise in digital technology, cyber security, digital marketing, social media.*	○	◑	●	◕	◑	◑
Work, Health & Safety *Experience relating to health, safety, environment, social responsibility, and community.*	◑	◔	◕	◔	◔	◕

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 advice 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.

Principle 2 Structure of the Board to add value (continued)

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. 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, strategy, financial, operational and risk management matters and factors relevant to the sectors and environments in which the Company operates as well as visits to laboratories and clinics to gain a more in depth understanding of the business.

The Chairman periodically reviews whether there is a need for Directors to undertake professional development to maintain the skills and knowledge needed to perform their role as Directors effectively. Directors are active in undertaking professional development opportunities for the purpose of development and maintenance of their skills. The Board and its Committees are provided with updates and information from both management and external experts on various topics relevant to the Company's circumstances, including emerging business and governance issues relevant to the Company and material developments in laws and regulations. The Board and individual Directors attend at operational sites, meet staff in operations and receive presentations from management across the Group's operations. 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 Instil a culture of acting lawfully, ethically and responsibly

The Board and senior executives are firmly committed to ensuring that all employees observe high standards of lawful, ethical behaviour and conduct. Setting the cultural tone for the organisation, Monash IVF Group's core values are as follows:

Principle 3 Instil a culture of acting lawfully, ethically and responsibly (continued)

Our Principles

- Promotes a team environment that values, encourages and supports differences
- Genuinely cares about people
- Is available and ready to help
- Demonstrates real empathy with the joys and pains of others

- Builds strong formal and informal, internal and external networks across a variety of functions and locations
- Partners with others to achieve quality outcomes and share in the successes
- Values, calls upon and utilises the experience and expertise of others
- Shares information for the benefit of individual, team, clinic and / or organisation

- Provides the information people need to know, to do their jobs and to feel valued as a member of the team, clinic and organisation
- Utilises different types of communication to deliver timely and meaningful messages
- Has the patience to hear people out

- Is dedicated to meeting the expectations and requirements of patients, clinicians and internal stakeholders
- Persists in accomplishing objectives despite obstacles and setbacks
- Pushes self and others to achieve

- Challenges the traditional way of thinking and adopts change where required
- Shows initiative and can spot and seize opportunities
- Empowers others to bring creative ideas and suggestions to life

Monash IVF Group's performance review process requires assessment of the extent to which personnel have demonstrated behaviour consistent with these values. The values also form the foundation for the monthly and annual employee CUDOS Awards, recognising and celebrating outstanding employee behaviour in line with these values.

The principles are provided with sufficient guidance to enable personnel to make decisions consistent with the Board's risk appetite and core values.

3.2 Code of Conduct and whistleblower program

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.

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. The Board or Audit and Risk Management Committee are informed of any material breaches of the entity's code of conduct.

Principle 3 Instil a culture of acting lawfully, ethically and responsibly (continued)

The Company has a whistleblower policy which has been communicated to all Company personnel and published on the Company's website.

The Whistleblower Policy promotes and supports the reporting of matters of concern and suspected wrongdoing, such as dishonest or fraudulent conduct, breaches of legislation and other conduct that may cause financial loss or be otherwise detrimental to its reputation or interests. The Policy sets out the approach to disclosure, investigation and reporting and outlines the protection to be afforded to those who report such conduct against reprisals, discrimination, harassment or other disadvantage resulting from their reports. All disclosures received under the Whistleblower Policy are reported to the Audit and Risk Management Committee with details of investigations completed.

3.3 Anti-Bribery and Corruption policy

The Group has a number of policies intended to foster a culture of lawful, ethical and responsible decision-making. In addition to specific behaviours set out in the Code of Conduct where Monash IVF Group confirms it has no tolerance for corrupt practices and as part of improvements planned to align practices with the Fourth Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, Monash IVF Group has committed to the adoption and disclosure of a formal Anti Bribery and Corruption Policy in the next reporting period.

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

Principle 4 Safeguard integrity in corporate reporting

4.1 Audit and Risk Management 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.

The 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 (resigned 29 June 2020)
- Mr Neil Broekhuizen

Details of the Committee members' experience and technical expertise are set out in the directors' biographies which can be viewed on the Board of Directors pages in the latest Annual Report. Details of the number of times the Committee met throughout the period and individual attendances of the members can be viewed in the Directors Report in the latest Annual Report. 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

Principle 4 Safeguard integrity in corporate reporting (continued)

4.2 Financial Statement Approval

Monash IVF Group Ltd CEO and Managing Director, Mr Michael Knaap, and CFO, Mr Malik Jainudeen, reviewed and verified that the 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 Process for verifying Periodic Corporate Reports

Monash IVF Group Ltd is committed to providing security holders and other external stakeholders with timely, consistent and transparent corporate reporting. The process which is followed to verify the integrity of periodic corporate reports is tailored based on the nature of the relevant report, its subject matter and where it will be published. Monash IVF Group Ltd seeks to adhere to the following general principles with respect to the preparation and verification of its corporate reporting:

- periodic corporate reports prepared by, or under the oversight of, the relevant subject matter expert for the area being reported on;
- the relevant report is in compliance with any applicable legislation or regulations;
- the relevant report reviewed (including any underlying data), with regard to ensuring it is not inaccurate, false, misleading or deceptive; and
- where required by law or by Monash IVF Group policy, relevant reports authorised for release by the appropriate approver required under that law or policy.

Consistent with these principles, the non-audited sections of the Annual Report and Corporate Governance Statement for the Reporting Period were prepared by the relevant subject matter experts and reviewed and verified by relevant senior executives and senior managers prior to Board approval. ASX announcements (other than administrative announcements) during the Reporting Period were also reviewed and approved in accordance with the Continuous Disclosure policy, which includes review by the Board, CEO and CFO prior to publication.

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.

5.2 and 5.3 Material market announcements and presentations

The Company Secretary ensures that the Board receives copies of all material market announcements promptly after they have been made and ensures that any new investor or analyst presentation is released on the ASX before the presentation is given. 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 the Company's 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;
- annual and half yearly 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
- 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

Principle 6 Respect the rights of security holders - continued

6.3 and 6.4 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 26 November 2020.

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

All resolutions put to the Annual General Meeting will be decided by way of a poll. Shareholders are also able to direct any questions via the Group's share registry provider, Link Market Services.

6.5 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.

Principle 6 Respect the rights of security holders - continued

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 mitigating actions. The Committee adheres to the Risk Management Policy for the business which highlights the risks relevant to Company operations and oversees that the entity is operating with due regard to the risk appetite set by the Board.

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. A review of Risk Management is undertaken annually.

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 does not have a designated Internal Audit Function at present but the Group performs internal audit activities from a clinical and operational perspective to ensure compliance with various external accreditation requirements.

Principle 7 Recognise and Manage Risk - continued

The CEO and CFO have key responsibility in ensuring that internal controls are in place, operating effectively and reviewed for continual improvement. As part of the various accreditation and licencing processes undertaken by the business, key internal audit functions are undertaken. These audits are then made available to accreditation and licensing bodies. Certain financial internal controls are tested by KPMG as part of their financial statement audit procedures. The Group believes internal controls implemented such as segregation of duties, delegation processes, treasury controls and structured approval processes counter many risks. The Group will continue to assess whether an independent third party internal audit function or designated in-house internal audit function is required.

7.4 Risk Exposure

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

Since its 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 it serves and society at large. Its focus on evidenced based fertility care provides the opportunity to commit resources to scientific research, clinical teaching and training. The Group's services are offered to all and do not discriminate, including nature and complexities of infertility.

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

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

- Assisted reproductive treatment sites in Australia are accredited with the Reproductive Technology Accreditation Committee (RTAC) and the Group ensures appropriate documentation is held by sites,
- doctors, nurses and scientists. This accreditation incorporates components covering ethics and safety in practice and management of adverse events.
- 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.
- Diagnostic laboratories are accredited to ISO 15189 and relevant NPAAC Guidelines.
- Diagnostic imaging (ultrasound) facilities are accredited with the Department of Health Diagnostic Imaging Accreditation Scheme (DIAS).
- The Group's Malaysian clinic whilst not legally requiring the same level of regulation, operates to the same standards having been externally accredited to the international RTAC standards.

The Group recognises that its 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 staff equipped to deliver outstanding customer care. Staff actively participate in the continual improvement of the Group's 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. Monash IVF Group is an organisation that is not involved in manufacturing or resource extraction and hence it considers its environmental footprint to be small.

The Group adopts a philosophy of clinical excellence in an environment of safe and supportive service provision. No material environmental or social sustainability risks have been identified. The Group adopts the approach of a responsible corporate citizen with regard to the management of waste and hazardous materials. The Group is not a significant consumer of electricity, water or gas and accordingly, the opportunities for material reductions in utility consumption are limited.

Principle 7 Recognise and Manage Risk - continued

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 clinics use predominantly products from the top two suppliers of laboratory products in 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 as demonstrated by a recent cyber-attack that failed to propagate through our systems. Our preventative controls isolated the attack to a comparatively small subset of system resources, while we hardened our firewall and email filtering to stop this and future attacks from coming through. Numerous levels of redundancy and backup are built into the IT systems providing a high degree of system availability and protection of data. The Group periodically engages an independent third party to review the Group's cyber security risk. Recommendations from these reviews continue to be implemented and the Group continues to invest to 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 a reduction in revenue 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 in recent years with the introduction of low cost providers. One area where Monash IVF Group Ltd has been integral in leading the industry has been in advocating for governing bodies to be more transparent in reporting outcomes of treatments to allow patients to be better informed before commencing treatment. Tightening industry standards 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. All members of the Committee are non-executive independent Directors.

Details of the Committee members' experience and technical expertise are set out in the directors' biographies which can be viewed on the Board of Directors pages in the latest Annual Report. Details of the number of times the Committee met throughout the period and individual attendances of the members can be viewed in the Directors Report in the latest Annual Report.

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 reasonable remuneration polices and practices are observed which optimise 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

Principle 8 Remunerate fairly and responsibly

8.3 Equity Based remuneration

The Board may award incentive payments to the CEO, CFO and Senior Executives in the form of equity. The Corporations Act prohibits key management personnel (or closely-related parties) of an ASX-listed Australian company from entering into an arrangement that would limit their exposure to an element of their remuneration subject to a holding lock. Equity-based awards are made on the condition that Corporations Act requirements are complied with.

Directors and officers cannot buy and sell securities when in possession of price sensitive information and during the following periods, referred to as Prohibited Periods:

- the period from the end of the Company's financial year (30 June) until the announcement of the Company's full year results to the ASX;
  the period from the end of the Company's half year (31 December) until the announcement of the Company's half year results to the ASX.

Approval from the Chair is required prior to any transacting in shares contemplated by directors and Managing Director, and approval from the Managing Director for any transacting contemplated by the CFO and Company Secretary.

A copy of the Securities Trading Policy is available on the Company's website. Directors and senior executives are not permitted to hedge their exposure to Company securities. Employees, directors and senior executives are not permitted to use Company securities as collateral in any financial transaction, including margin loan arrangements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Revenue from services		**145,417**	**151,980**
Employee benefits expense[1]		(48,996)	(48,095)
Clinician fees		(25,743)	(25,754)
Raw materials and consumables used		(16,408)	(15,547)
IT and communications expense		(3,059)	(2,948)
Depreciation expense	2.4,2.5	(9,106)	(3,712)
Amortisation expense	2.6	(1,894)	(1,361)
Property expense		(3,345)	(9,732)
Marketing and advertising expense		(5,718)	(4,989)
Professional and other fees		(4,052)	(3,069)
Other expenses[2]		(5,263)	(5,486)
Operating profit		**21,833**	**31,287**
Net finance costs	4.5	(5,707)	(3,802)
Profit before tax		**16,126**	**27,485**
Income tax expense	1.5	(4,366)	(7,678)
Net profit after tax for the year		**11,760**	**19,807**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		1,115	(603)
Tax on cash flow hedges		(336)	181
Exchange difference on translation of foreign operations		(77)	(15)
Other comprehensive income/(loss) for the year, net of tax		**702**	**(437)**
Total comprehensive income for the year		**12,462**	**19,370**
Profit attributable to:			
Owners of the Company		11,726	19,852
Non-controlling interests		34	(45)
Profit for the year		**11,760**	**19,807**
Total comprehensive income attributable to:			
Owners of the Company		12,428	19,415
Non-controlling interests		34	(45)
Total comprehensive income for the year		**12,462**	**19,370**
Earnings per share			
Basic earnings per share (cents)	1.4	4.6	8.4
Diluted earnings per share (cents)	1.4	4.5	8.4

*The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognized in retained earnings at the date of initial application.

(1) Includes JobKeeper income of $4.9m (refer note 1.1).

(2) Prior year Includes Mosman clinic closure accelerated depreciation ($882,000), Mosman make good provision ($100,000) and CEO separation costs ($473,000).

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

Monash IVF Group Limited

Consolidated Statement of Financial Position

as at 30 June 2020

	Note	Consolidated 2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	4.6	15,072	4,281
Trade and other receivables	2.1	10,442	6,631
Current tax assets		1,202	638
Inventory	2.2	3,949	3,983
Total current assets		**30,665**	**15,533**
Non current assets			
Equity accounted investment		393	763
Trade and other receivables	2.1	181	114
Plant and equipment	2.4	19,111	16,523
Right of use assets	2.5	36,514	-
Intangible assets	2.6	262,165	257,104
Total non current assets		**318,364**	**274,504**
Total assets		**349,029**	**290,037**
Current liabilities			
Trade and other payables	2.3	25,504	15,460
Lease liabilities		2,316	-
Derivative financial instruments	4.4	-	171
Contingent consideration	5.2	600	-
Employee benefits	3.1	9,442	8,572
Total current liabilities		**37,862**	**24,203**
Non current liabilities			
Borrowings	4.3	18,943	88,349
Lease liabilities		36,314	-
Derivative financial instruments	4.4	-	942
Contingent consideration	5.2	1,200	-
Employee benefits	3.1	1,037	920
Deferred tax liability	1.5	1,551	2,189
Total non current liabilities		**59,045**	**92,400**
Total liabilities		**96,907**	**116,603**
Net assets		**252,122**	**173,434**
Equity			
Share capital	4.1	506,786	428,757
Reserves		(136,778)	(137,484)
Profits reserve		42,535	42,834
Retained earnings		(162,735)	(160,892)
Total equity attributable to Owners of the Company		**249,808**	**173,215**
Non-controlling interests		2,314	219
Total equity		**252,122**	**173,434**

*The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognized in retained earnings at the date of initial application.

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

Monash IVF Group Limited

Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

	Contributed equity	Other equity reserve (1)	Profits reserve (2)	Retained earnings	Other reserves (3)	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated balance at 30 June 2018	**428,347**	**(136,811)**	**36,174**	**(160,892)**	**(224)**	**166,594**	**264**	**166,858**
Profit/(loss) for the period	-	-	19,852	-	-	19,852	(45)	19,852
Total other comprehensive income/(loss)	-	-	-	-	(437)	(437)	-	(437)
Total other comprehensive income for the period	**-**	**-**	**19,852**	**-**	**(437)**	**9,617**	**(45)**	**9,585**
Transactions with owners in their capacity as owners directly in equity								
Issue of ordinary shares	410	-	-	-	-	410	-	410
Share-based payment transactions	-	-	-	-	(12)	(12)	-	(12)
Dividends paid	-	-	(13,192)	-	-	(13,192)	-	(13,192)
Consolidated balance at 30 June 2019	**428,757**	**(136,811)**	**42,834**	**(160,892)**	**(673)**	**173,215**	**219**	**173,434**
Consolidated balance at 30 June 2019	**428,757**	**(136,811)**	**42,834**	**(160,892)**	**(673)**	**173,215**	**219**	**173,434**
Adjustment on initial application of AASB 16 (net of tax)*	-	-	-	(1,843)	-	(1,843)	-	(1,843)
Adjusted balance at 1 July 2019	**428,757**	**(136,811)**	**42,834**	**(162,735)**	**(673)**	**171,372**	**219**	**171,591**
Profit/(loss) for the period	-	-	11,726	-	-	11,726	34	11,760
Total other comprehensive income/(loss)	-	-	-	-	702	702	-	702
Total other comprehensive income for the period	**-**	**-**	**11,726**	**-**	**702**	**12,428**	**34**	**12,462**
Transactions with owners in their capacity as owners directly in equity								
Non-controlling interest change	-	-	-	-	-	-	2,061	2,061
Issue of ordinary shares	78,029	-	-	-	-	78,029	-	78,029
Share-based payment transactions	-	-	-	-	4	4	-	4
Dividends paid/declared	-	-	(12,025)	-	-	(12,025)	-	(12,025)
Consolidated balance at 30 June 2020	**506,786**	**(136,811)**	**42,535**	**(162,735)**	**33**	**249,808**	**2,314**	**252,122**

(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 Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognized in retained earnings at the date of initial application.

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

Monash IVF Group Limited

Consolidated Statement of Cash Flows

for the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash flows from operating activities			
Receipts from customers		146,351	152,922
Payments to suppliers and employees		(114,304)	(113,043)
Other income received		3,313	-
Cash generated from operations		**35,360**	**39,879**
Income taxes paid		(4,281)	(6,786)
Net cash flows generated from operating activities	4.6	**31,079**	**33,093**
Cash flows from investing activities			
Payments for plant and equipment and intangible assets		(7,507)	(6,536)
Payments for business acquisitions (including transactions costs)		(3,056)	-
Net cash flows used in investing activities		**(10,563)**	**(6,536)**
Cash flows from financing activities			
Proceeds/(Repayment) of borrowings		(69,721)	(9,000)
Interest paid on borrowings		(3,450)	(3,592)
Interest paid on closure of interest rate swaps		(1,087)	-
Payments of lease liabilities		(7,202)	-
Dividends paid		(7,074)	(13,192)
Proceeds from sale of non-controlling interest		1,300	-
Debt facility refinance cost		-	(330)
Net proceeds from issue of ordinary shares		77,532	-
Net cash flows used in financing activities		**(9,702)**	**(26,114)**
Total cash flows from activities		**10,814**	**443**
Cash and cash equivalents at the beginning of the year		4,281	3,853
Effects of exchange rate changes on foreign currency cash flows and cash balances		(23)	(15)
Cash and cash equivalents at end of the year	4.6	**15,072**	**4,281**

*The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognized in retained earnings at the date of initial application.

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

Contents

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 Revenue and Expenses

Revenue recognition

Revenue is recognised when performance obligations have been satisfied, 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 when the customer has consumed the benefits of the service, whether 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.

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.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are recognised in comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

In March 2020, the Australian Government announced the introduction of JobKeeper, an economic response package to the Coronavirus pandemic. Under the JobKeeper grant, businesses impacted by the Coronavirus were able to access a subsidy from the Government to continue paying their employees. Employers who have turnover under $1 billion are eligible for the subsidy if their turnover reduces by more than 30 per cent relative to the comparable prior year period of at least a month between April and September 2020. The COVID-19 impact on the group turnover in April 2020 resulted in a greater than 30% reduction compared to April 2019 due to the temporary suspension of IVF procedures requiring hospitalisation between 25 March and 27 April 2020 in Australia as well as movement control orders in Malaysia. Accordingly, the Group is eligible to claim a fortnightly payment of $1,500 per eligible employee from 30 March 2020 for a maximum period of 6 months.

JobKeeper payments receivable from the ATO are recognised by a 'for profit' entity as a government grant as the payment is a wage subsidy provided by the Government with the objective of keeping the organisation connected with the economy and their workers during the COVID-19 pandemic period between April and September 2020. The related amounts paid to employees are recognised as employee benefit expenses. The JobKeeper payment is recognised only when there is reasonable assurance that the organisation will comply with the conditions and that the grant will be received. The income is recognised in profit and loss matching the employee salary expense which is what the grant is intended to compensate.

1.1 Revenue and Expenses (continued)

As a government grant, there is an accounting policy choice whereby the organisation presents the grant income gross from the expense or net of the related expense. The grant income has been disclosed net of the related employee expense as the subsidy support is used to fund existing employee wages during the period.

The grant amount recognised in employee benefits expense is $4.9m (FY19: nil). The amount recognised as a sundry debtor as at 30 June 2020 is $1.6m, and was received in July 2020.

1.2 Operating segments

The Group determines and presents operating segments based on information that internally is provided to and used by the Chief Executive Officer, who is the Group's Chief Operating Decision Maker (CODM). An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The financial results of each operating segment are regularly reviewed by the Group's Chief Executive Officer in order to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

The basis of inter-segmental transfers is market pricing. Results are calculated before consideration of net borrowing costs and tax expense. Segment assets exclude deferred tax balances and cash, which have been included as unallocated assets.

Identification of reportable operating segments

The two geographic segments being Australia and International reflect Monash IVF Group's reporting structure to the 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 results

2020	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total $'000
Total revenue – external	**135,503**	**9,914**	**145,417**
Adjusted EBIT (before non-recurring items)[1] [2]	**20,631**	**3,797**	**24,428**
Acquisition costs[1]	(539)	-	(539)
Restructuring costs[1]	(848)	-	(848)
Provision for patient claim[1]	(728)	--	(728)
Sydney CBD clinic premise costs[2]	(480)		(480)
Reported EBIT	**18,036**	**3,797**	**21,833**
Net finance costs	(4,510)	(110)	(4,620)
Finance cost - Interest rate swaps closure cost	(1,087)	-	(1,087)
Profit before income tax expense	**12,439**	**3,687**	**16,126**
Income tax expense	(3,481)	(885)	(4,366)
Profit for the year	**8,958**	**2,802**	**11,760**
Depreciation and amortisation expense	(10,345)	(655)	(11,000)
Segment assets	**338,204**	**10,825**	**349,029**
Acquisition of plant and equipment and intangibles	7,759	40	7,799
Segment liabilities	**92,373**	**4,534**	**96,907**

2019	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total $'000
Total revenue – external	**140,378**	**11,602**	**151,980**
Adjusted EBIT (before non-recurring items)[3]	**27,729**	**5,013**	**32,742**
Mosman clinic closure and CEO separation costs	(1,455)	-	(1,455)
Reported EBIT	**26,274**	**5,013**	**31,287**
Net finance costs	(3,802)	-	(3,802)
Profit before income tax expense	**22,472**	**5,013**	**27,485**
Income tax expense	(6,477)	(1,201)	(7,678)
Profit for the year	**15,995**	**3,812**	**19,807**
Depreciation and amortisation expense	(4,792)	(281)	(5,073)
Segment assets	**280,922**	**9,115**	**290,037**
Acquisition of plant and equipment and intangibles	6,261	275	6,536
Segment liabilities	**116,084**	**519**	**116,603**

(1) Non-recurring items include transaction costs on acquisition activity including Fertility Solutions and Johor Bahru ($539,000 pre-tax), restructuring costs ($848,000 pre-tax) and provision for patient claim ($728,000 pre-tax).
(2) Relates to period from lease commencement for new Sydney CBD fertility clinic in work in progress stage ($480,000 pre-tax).
(3) 2019 one-off non recurring items include Mosman clinic closure asset accelerated depreciation ($882,000), Mosman clinic make-good provision ($100,000) and CEO separation costs ($473,000).

1.3 Dividends

Dividends during the year	Franking	Payment Date	Per share (cents)	2020 $'000	2019 $'000
Interim dividend in respect of the current financial year	Fully franked	2 October 2020 (2019: 5 April 2019)	2.1 (2019: 3.0)	4,951	7,067
Final dividend in respect of the prior financial year	Fully franked	11 October 2019 (2019: 12 October 2018)	3.0 (2019: 2.6)	7,074	6,125
Total			**5.1 (2019: 5.6)**	**12,025**	**13,192**
Current liability – Dividend payable[1]				4,951	-
Paid in cash during the year				7,074	13,192

[1] On 1 April 2020, The Company announced the deferral of the payment of the interim dividend until 2 October 2020. This deferral was considered a prudent measure due to the economic environment caused by the COVID-19 pandemic.

	2020	2019
Dividend franking account Amount of franking credits available at 30 June to shareholders for subsequent financial years	**8,724**	**13,031**

Monash IVF Group's dividend policy is to target a 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.

The Board has not declared a 2020 final dividend.

1.4 Earnings per share

Earnings per share	2020 Cents per share	2019 Cents per share
Basic earnings per share	4.6	8.4
Diluted earnings per share	4.5	8.4

Profit attributable to ordinary shareholders	2020 $'000	2019 $'000
Profit after income tax attributable to the ordinary shareholders usec in calculating basic and diluted earnings per share	11,726	19,852

Weighted average number of shares	2020 Number	2019 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	257,550,107	235,598,078
Adjustments for calculation of diluted earnings per share (1)	550,148	322,654
Weighted average number of ordinary shares used in calculating diluted earnings per share	258,100,255	235,920,732

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

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.

1.5 Taxation

Income Tax expense

	2020 $'000	2019 $'000
Current tax	3,867	8,222
Deferred tax	661	(508)
Over/(under) provided in prior year	(162)	(36)
Total income tax expense	**4,366**	**7,678**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	16,126	27,485
Tax at the Australian tax rate of 30% (2019: 30%)	4,838	8,245
Tax effect of amounts which are not deductible in calculating taxable income:		
Effect of tax rates in foreign jurisdiction	(231)	(301)
Research and development	(250)	(250)
Other items	171	20
Over/(under) provision of previous year	(162)	(36)
Income tax expense	**4,366**	**7,678**

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 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.

1.5 Taxation (continued)

Deferred Tax

	1 July 2018				30 June 2019					30 June 2020	
$'000	Deferred tax asset	Deferred tax liability	Recognised in profit or loss	Recognised directly in equity	Deferred tax asset	Deferred tax liability	Recognised in Retained Earnings (1)	Recognised in profit or loss	Recognised directly in equity	Deferred tax asset	Deferred tax liability
Plant and equipment	-	(214)	-	-	-	(214)	-	(94)	-	-	(308)
Intangible assets	-	(5,944)	-	-	-	(5,944)	-	-	-	-	(5,944)
Receivables	-	-	-	-	-	-	-	(494)	-	-	(494)
Other	-	-	-	-	-	-	-	-	845	845	-
Leases	-	-	-	-	-	-	790	(155)	-	635	-
Derivatives	155	-	-	181	336	-	-		(336)	-	-
Trade payables and provisions	508	-	277	-	785	-	-	(208)	-	577	-
Employee benefits	2,617	-	231	-	2,848	-	-	290	-	3,138	-
Tax (liabilities)/assets before set off	**3,280**	**(6,158)**	**508**	**181**	**3,969**	**(6,158)**	**790**	**(661)**	**509**	**5,195**	**(6,746)**
Set off tax	(3,280)	3,280	-	-	(3,969)	3,969	-	-	-	(5,195)	5,195
Net tax assets/(liabilities)	**-**	(2,878)	**-**	**-**	**-**	**(2,189)**	**-**	**-**	**-**	**-**	**(1,551)**

(1) Adjustment on initial application of AASB 16. The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognized in retained earnings at the date of initial application.

1.5 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

	2020 $'000	2019 $'000
Current		
Trade receivables	4,183	3,218
Provision for expected credit losses	(747)	(460)
	3,436	2,758
Other debtors	2,431	409
Accrued income	1,060	129
Prepayments	2,761	2,327
GST receivable	754	1,008
Total current trade and other receivables	**10,442**	**6,631**
Non current		
Other debtors	**181**	**114**

Provision for expected credit losses

The consolidated entity has recognised an expense of $287,000 (2019: $2,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2020. The increase in provision for expected credit losses during the year was predominately driven to reflect counterparties that have been impacted by COVID-19 in combination with a general increased loss expectation as a result of a deterioration in the economic environment.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method less provision for expected credit losses. 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. AASB 9 replaced the 'incurred loss model' in AASB 139 with an 'expected credit loss' (ECL) model. Loss allowances for trade receivables are measured at an amount equal to 12 month ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, debtor ageing and credit assessment including forward-looking information.

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.

Patient fees for most treatments are received in advance and recognised as deferred revenue if the procedure is yet to be performed. This reduces the risk of non-collectability. Outstanding receivables predominantly relate to amounts owing from Medicare and storage fee patient accounts. Payment reminder notices are issued to patients

2.1 Trade and other receivables (continued)

with outstanding balances at 30, 60 and 90 days. After which, collection of this debt may be 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.

Prepayments

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

2.2 Inventory

	2020 $'000	2019 $'000
Consumables – at cost	3,949	3,983
Total inventory	**3,949**	**3,983**

Inventories are recorded using the FIFO method and are valued at the lower of cost and net realisable value. Inventories include medical supplies to be consumed in providing future patient services.

2.3 Trade and other payables

	2020 $'000	2019 $'000
Current		
Trade payables	3,024	4,388
Accrued expenses	10,804	4,753
Deferred revenue	6,725	6,050
Dividend payable	4,951	-
Other liabilities	-	269
Total trade and other payables	**25,504**	**15,460**

Trade and other payables are carried at amortised cost and are not discounted. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are paid in accordance with vendor terms.

2.4 Plant and equipment

	2020 $'000	2019 $'000
Cost		
Opening balance at 1 July	**53,678**	**49,496**
Additions	4,613	4,182
Acquisitions through business combinations	2,030	-
Disposals	(2,152)	-
Closing balance at 30 June	**58,169**	**53,678**
Opening balance at 1 July	**(37,155)**	**(32,561)**
Depreciation for the year	(3,466)	(4,594)[1]
Acquisitions through business combinations	(589)	-
Disposals	2,152	-
Closing balance at 30 June	**(39,058)**	**(37,155)**
Carrying amount		
At 1 July (Opening balance)	16,523	16,935
At 30 June (Closing balance)	**19,111**	**16,523**

(1) Includes Mosman clinic closure accelerated depreciation of $882,000.

Capital commitments

Expenditure contracted for but not recognised as liabilities:

	2020 $'000	2019 $'000
Capital plant and equipment	3,345[1]	863

(1) Capital plant and equipment includes the new Sydney CBD Fertility Clinic in development.

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. 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. 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:

Depreciation

The Group's plant and equipment are depreciated over their useful economic lives between 2-10 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. 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.

2.4 Right of Use Assets

Leases as lessee

$'000		2020		2019
	Buildings	Equipment	Total	Total
Cost				
Opening balance at 1 July	-	-	-	-
Recognition of right-of-use asset on initial application of AASB16	46,143	-	46,143	-
Adjusted Opening balance at 1 July	**46,143**	**-**	**46,143**	
Additions	9,469	1,770	11,239	-
Acquisitions through business combinations	2,132	-	2,132	-
Disposals	(39)	-	(39)	-
Closing balance at 30 June	**57,705**	**1,770**	**59,475**	-
Accumulated depreciation				
Opening balance at 1 July	-	-	-	-
Recognition of right-of-use asset on initial application of AASB16	(17,360)	-	(17,360)	-
Adjusted Opening balance at 1 July	(17,360)	-	(17,360)	-
Depreciation for the year	(5,245)	(395)	(5,640)	-
Disposals	39	-	39	-
Closing balance at 30 June	**(22,566)**	**(395)**	**(22,961)**	-
Carrying amount				
At 1 July (Opening balance)	-	-	-	-
Adjusted balance at 1 July	**28,783**	**-**	**-**	-
At 30 June (Closing balance)	**35,139**	**1,375**	**36,514**	-

The Group leases property and equipment. The leases typically run for a period of between one to ten years, with an option to renew the lease after this date. Lease payments are renegotiated at periods to reflect market rentals. The Group has elected not to recognise right of use assets and lease liabilities for short term and/or low value assets such as IT and office equipment.

	2020 $'000	2019 $'000
Amounts recognised in profit and loss		
Interest on lease liabilities	1,046	-
Expenses relating to leases of low value assets	77	-
Lease expense – operating leases under AASB117	-	7,122
Amounts recognised in statement of cash flows		
Payments of lease liabilities	7,202	-

Extension options

Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $8.2 million.

2.6 Intangible assets

$'000	Goodwill	Software	Trademark	Total
2020				
Net book value				
Balance at 1 July 2019	229,108	8,151	19,845	257,104
Additions	-	2,894	-	2,894
Acquisitions through business combinations	4,061	-	-	4,061
Amortisation expense	-	(1,894)	-	(1,894)
Balance at 30 June 2020	**233,169**	**9,151**	**19,845**	**262,165**
At 30 June 2020				
Cost	233,169	13,721	19,845	267,060
Amortisation and impairment losses	-	(4,570)	-	(4,570)
Balance at 30 June 2020	**233,169**	**9,151**	**19,845**	**262,165**
2019				
Net book value				
Balance at 1 July 2018	229,108	7,158	19,845	276,760
Additions	-	2,354	-	2,354
Amortisation expense	-	(1,361)	-	(1,361)
Balance at 30 June 2019	**229,108**	**8,151**	**19,845**	**257,104**
At 30 June 2019				
Cost	229,108	19,025	19,845	269,527
Amortisation and impairment losses	-	(10,874)	-	(12,423)
Balance at 30 June 2019	**229,108**	**8,151**	**19,845**	**257,104**

Software

Software has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. The cost of system development, including purchased software, is capitalised and amortised over the estimated useful life, being three to eight years. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Trademark

Trademarks are reported at historical cost less impairment. Trademarks have an indefinite useful life where there is no expiry and no foreseeable limit on the period of time over which these assets are expected to contribute to the cash flows of the Group. Similar to goodwill, these are tested for impairment annually.

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.

Impairment testing

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 and the discount rates (cost of capital and debt) applied to determining the net present value of these future cash flows.

2.6 Intangible assets (continued)

The carrying amounts of the Group's non financial 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 year:

	2020 $'000	2019 $'000
Goodwill and trademark allocated to:		
Australia	219,030	215,572
Ultrasound	28,232	28,232
International	5,752	5,149
	253,014	**248,953**

Impairment testing assumptions

The recoverable amount of a CGU is based on value-in-use calculations. The following key assumptions 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 10.5% (FY19: 10.47%) for the Australian CGU, 11.0% (FY19: 11.70%) for the Ultrasound CGU and 10.5% (FY19: 11.27%) for the International CGU was applied in determining the recoverable amount. The discount rate and related risk factors also had regard to the current COVID-19 environment.

- Cash flow forecasts are based on the Board-approved FY21 budget, projected for four years plus a terminal value. The FY21 budget reflects management's best estimate of forecast operating performance having regard to the market and economic uncertainties posed by the COVID-19 pandemic. The underpinning assumptions include a return to pre-COVID-19 volumes in FY21 driven by pent up demand for IVF and Ultrasound services and a general stabilization in economic activity, the continuation of cost containment initiatives, no inclusion of expected JobKeeper payments, and no further extended Government restrictions or lockdowns that impact the Group's ability to provide its services to customers.

- A long-term growth rate into perpetuity of 2.5%-3.0% (FY19: 3.0%) has been determined based on an assessment of historical growth rates, expectations of future growth rates and market specific dynamics.

Impact of possible changes in key assumptions

All CGU's in the Group have been tested for impairment and have met their required hurdle rates to support the current carrying values. Any reasonable possible change to relevant assumptions and inputs would not result in the recoverable amount being lower than the carrying amount.

2.6 Intangible assets (continued)

Result of Impairment testing

The recoverable amount of all CGU's are deemed recoverable.

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

	2020 $'000	2019 $'000
Current liability		
Long service leave	4,021	5,095
Annual leave	5,421	3,477
Total current employee benefits	**9,442**	**8,572**
Non current liability		
Long service leave	1,037	920
Total non current employee benefits	**1,037**	**920**
Total employee benefits provision	**10,479**	**9,492**

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.

Provision for employee benefits

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. 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.

3.2 Share-based payments

Senior executives' long-term incentive plan

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 recognized as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grand date and recognized 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.

3.2 Share-based payments (continued)

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 selected by the Directors. Key management personnel and other senior management are eligible to participate under the LTI Program.

The senior executive 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.

Long term incentive program (equity settled)

A description of the equity plans applicable during the year are described below:

Grant date	Vesting conditions
(2020) 16 October 2019	EPS - Subject to meeting certain EPS hurdles and 3 year service period to 30 June 2022 TSR - Subject to Total Shareholder Return hurdles and a 3 year service period to the 11th trading day after the FY22 results announcement
(2019) 20 December 2018	EPS - Subject to meeting certain EPS hurdles and 3 year service period to 30 June 2021 TSR - Subject to Total Shareholder Return hurdles and a 3 year service period to the 11th trading day after the FY21 results announcement
(2018) 29 January 2018	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
(2017) 17 March 2017	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

3.2 Share-based payments (continued)

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:

	2020	2019	2018	2017
Fair value at grant date (EPS condition)	$0.94	$1.00	$1.19	$1.69
Fair value at grant date (TSR condition)	$0.46	$0.45	$0.49	$0.63
Share price at grant date	$0.94	$1.00	$1.36	$1.90
Expected volatility – Monash IVF	35%	30%	37%	32%
Expected volatility – ASX 300 Healthcare Index	15%	15%	14%	15%
Expected life (years)	6	6	5	5
Expected dividends	6.0%	6.0%	5.5%	4.8%
Risk free interest rate (based on government bonds)	0.83%	1.88%	2.13%	1.91%

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 performance rights

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

2020 Grant Date	Expiry Date	Balance at 1 July 2019	Granted during the year	Lapsed during the year	Forfeited during the year	Vested during the year	Balance at 30 June 2020
17 Mar 2017	30 June 2019	19,447	-	(19,447)[1]	-	-	-
29 Jan 2018	30 June 2020	95,210	-	(47,605)[2]	-	-	47,605
20 Dec 2018	30 June 2021	207,997	-	-	(73,466)[3]	-	134,531
16 Oct 2019	30 June 2022	-	471,055	-	(103,043)[3]	-	368,012
		322,654	**471,055**	**(67,052)**	**(176,509)**	**-**	**550,148**

(1) TSR vesting conditions for performance rights granted in FY17 were not satisfied therefore these rights lapsed.
(2) EPS vesting conditions for performance rights granted in FY18 were not satisfied therefore these rights lapsed
(3) The performance rights for Brett Comer (Chief Operating Officer) were forfeited due to resignation and departure on 27 March 2020.

2019 Grant Date	Expiry Date	Balance at 1 July 2018	Granted during the year	Lapsed during the year	Forfeited during the year	Vested during the year	Balance at 30 June 2019
29 June 2016	30 June 2018	35,072	-	(35,072)[1]	-	-	-
17 Mar 2017	30 June 2019	38,894	-	(19,447)[1]	-	-	19,447
29 Jan 2018	30 June 2020	287,262	-	-	(192,052)[2]	-	95,210
20 Dec 2018	30 June 2021	-	207,997	-	-	-	207,997
		361,228	**207,997**	**(54,519)**	**(192,052)**	**-**	**322,654**

(1) TSR vesting conditions for performance rights granted in FY16 and EPS vesting conditions for performance rights granted in FY17 were not satisfied therefore these rights lapsed.
(2) David Morris (CEO) FY18 performance rights were forfeited due to his resignation and departure.

3.3 Key management personnel

Compensation	2020 $	2019 $
Short-term employee benefits	2,194,168	1,982,874
Post-employment benefits	199,074	145,063
Share-based payments	5,971	3,569
Termination benefits	-	484,156
Total key management personnel compensation	**2,399,213**	**2,615,662**

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

Transactions with key management personnel and related parties

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

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 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 Share capital and reserves

	Number of shares	$'000
Opening balance at 1 July 2018	235,395,438	428,347
Shares issued (1)	390,446	410
Closing balance at 30 June 2019	**235,785,884**	**428,757**
Opening balance at 1 July 2019	235,785,884	428,757
Shares issued (2)	153,848,956	80,001
Capital raising fees (2)	-	(1,972)
Closing balance at 30 June 2020	**389,634,840**	**506,786**

(1) Issue of shares to a consultant under the terms of their consultancy agreement.
(2) In May 2020, the Company issued 153,848,956 shares under its non-renounceable entitlement offer at a price of $0.52 per share, resulting in an increase in share capital of $80.0 million less transaction costs of $2.8 million pre tax ($2.0m post tax).

Ordinary shares

Ordinary shares are classified as share capital. 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.

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.

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.

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.

4.1 Share capital and reserves (continued)

Profits reserve

The profits 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.

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.

	30 June 2020		30 June 2019	
	Number of shares subject to escrow (m)	Escrowed shares (as a % of shares on issue	Number of shares subject to escrow (m)	Escrowed shares (as a % of shares on issue) Escrowed shares
Doctors [1] [2]	15.0	3.8%	15.3	6.5%
Sydney Ultrasound for Women[3]	1.5	0.4%	1.5	0.6%
Total	**16.5**	**4.2%**	**16.8**	**7.1%**

[1] FY20 Includes 1.0m shares subject to escrow held by Richard Henshaw (Executive Director) (FY19:1.0m shares)

[2] 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

4.1 Share capital and reserves (continued)

- 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.

(3) 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.

4.2 Financial risk management (continued)

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.

2020	Carrying amount $'000	Total Contractual cash flows $'000	Within 1 year $'000	1-5 years $'000	Over 5 years $'000
Non-derivative financial liabilities					
Secured bank loans	19,279	(19,964)	(457)	(19,507)	-
Trade and other payables	25,503	(25,503)	(25,503)	-	-
Lease liabilities	38,631	(38,631)	(2,316)	(18,669)	(17,646)
Contingent consideration	1,800	(1,800)	(600)	(1,200)	-
	85,213	**(85,898)**	**(28,876)**	**(39,376)**	**(17,646)**

2019	Carrying amount $'000	Total Contractual cash flows $'000	Within 1 year $'000	1-5 years $'000	Over 5 years $'000
Non-derivative financial liabilities					
Secured bank loans	89,000	(95,411)	(2,564)	(92,847)	-
Trade and other payables	15,460	(15,460)	(15,460)	-	-
Derivative financial liabilities					
Interest rate swaps	1,113	(1,113)	(171)	(942)	-
	105,573	**(111,984)**	**(18,195)**	**(93,789)**	**-**

Foreign exchange risk

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

4.2 Financial risk management (continued)

Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Interest rate risk may be managed using a mix of floating rate debt and fixed rate instruments. Interest rate swaps may be used 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. At 30 June 2020, there was no fixed interest rate exposure (FY19: 56%) following the closure or maturity of the $50 million of interest rate swaps during the year. There were no fixed interest rate swaps in place at 30 June 2020 (FY19: $1.1m).

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:

	2020 $'000	2019 $'000
Fixed rate instruments		
Financial assets	2,004	565
Financial liabilities	(38,631)	(50,000)
	36,627	**(49,435)**
Variable rate instruments		
Financial assets	13,068	3,716
Financial liabilities	(19,279)	(39,000)
	(6,211)	**(35,284)**

Cash flow sensitivity analysis for variable rate instruments

A reasonable possible change of a 100 basis points in interest rates are the reporting date would have increased /(decreased) equity and profit or loss by $62,110 (FY19: $352,840). This assumes that all other variables remain constant.

Market risk – Operational 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			
2020	Carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities measured at fair value					
Interest rate swaps for hedging	-	-	-	-	-

4.2 Financial risk management (continued)

2019	Carrying amount $'000	Fair Value Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities measured at fair value					
Interest rate swaps for hedging	1,113	-	1,113	-	1,113

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 table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

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

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.

Total loan facilities available to the Group in Australian dollars

$'000	2020 Limit	2020 Utilised	2019 Limit	2019 Utilised
Syndicated Debt facility	110,000	16,000	110,000	89,000
Working capital facility	5,000	3,279[(2)]	5,000	-
Accordion facility[(1)]	40,000	-	40,000	-
Total loan facilities	**155,000**	**19,279**	**155,000**	**89,000**
Non current borrowings				
Borrowings		19,279		89,000
Capitalised finance facility fees		(336)		(651)
Total non current borrowings		**18,943**		**88,349**

(1) An un-committed $40m accordion facility for acquisition and capital expenditure purposes.
(2) The working capital facility limit is fully utilised after the allocation of bank guarantees of $1,721,000.

4.3 Borrowings (continued)

In December 2018, the Group amended and extended the syndicated debt facility, working capital facility and accordion facility with a maturity date of January 2022. The banking facilities are secured via a first ranking security over substantially all of the Group's entities. The Group is subject to certain financial undertakings under the banking facilities. In conjunction with the Equity raise and the impact of the global economic environment caused by COVID-19, in April 2020, the Facility was amended to suspend covenant testing until 30 June 2021. As at 30 June 2020, the Group is compliant with its financial undertakings.

As at 30 June 2020, the Group had $2,969,000 of bank guarantees in place (FY19: $1,369,000).

Reconciliation of movements of liabilities arising from financing activities

$'000	Balance at 1 July 2019	Additions	Principal repayments	Other	Balance at 30 June 2020
Loans	88,349	-	(69,721)	315	18,943
Lease liabilities	19,226[1]	26,607	(7,202)	-	38,631
Interest rate swap	1,113	-	(1,087)	(26)	-
Total interest bearing loans and borrowings	108,688	26,607	(78,010)	289	57,574

[1] Includes lease liabilities recognised on 1 July 2019 on adoption of AASB16.

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.

4.4 Derivative financial instruments

	2020 $'000	2019 $'000
Current		
Derivatives	-	171
Non current		
Derivatives	-	942
Total derivative financial instruments	**-**	**1,113**

All interest rate swaps matured or were terminated during the financial year.

4.5 Net Finance Costs

	2020 $'000	2019 $'000
Finance income		
Interest income	11	7
Finance costs		
Interest expense	3,272	3,656
Interest expense on closure of swaps	1,087	-
Amortisation of borrowing costs[1]	313	153
Interest on lease liabilities	1,046	-
Total finance costs	**5,718**	**3,809**
Net finance costs	**5,707**	**3,802**

(1) Includes interest and amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

4.6 Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank	13,068	3,716
Short-term bank deposits	2,004	565
Total cash and cash equivalents	**15,072**	**4,281**

Reconciliation of profit after income tax to net cash inflow from operating activities	2020 $'000	2019 $'000
Profit for the period	11,760	19,807
Adjustments:		
Depreciation and amortisation	11,000	5,073
Net finance cost included in financing activities	5,707	3,802
Provision for expected credit losses	287	2
Mosman clinic closure accelerated depreciation	-	882
Other	1,224	232
Operating profit before changes in working capital and provisions	**29,978**	**29,798**
Change in net operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(3,811)	316
(Increase)/decrease in inventory	34	(129)
Increase/(decrease) in trade and other payables	5,092	1,626
Increase/(decrease) in provisions and employee benefits	987	769
Increase/(decrease) in income and deferred taxes	(1,201)	713
Net cash from operating activities	**31,079**	**33,093**

Section 5
Our Business Portfolio

This section provides further insight into the legal structure and group of subsidiary companies.

5.1 Controlled entities

Parent entity	Place of business/country
Monash IVF Group Limited	Australia

Controlled entities	Place of business /country	Ownership interest 2020	Ownership interest 2019
Healthbridge Enterprises Pty Ltd	Australia	100%	100%
Monash IVF Group Acquisitions Pty Ltd	Australia	100%	100%
Healthbridge IVF Holdings Pty Ltd	Australia	100%	100%
Healthbridge Shared Services Pty Ltd	Australia	100%	100%
Healthbridge Repromed Pty Ltd	Australia	100%	100%
Repromed Finance Pty Ltd	Australia	100%	100%
Repromed Holdings Pty Ltd	Australia	100%	100%
Repromed NZ Holding Pty Ltd	Australia	100%	100%
Repromed Australia Pty Ltd	Australia	100%	100%
Adelaide Fertility Centre Pty Ltd	Australia	100%	100%
Monash IVF Holdings Pty Ltd	Australia	100%	100%
Monash IVF Finance Pty Ltd	Australia	100%	100%
Monash IVF Pty Ltd	Australia	100%	100%
Monash Reproductive Pathology and Genetics Pty Ltd	Australia	100%	100%
Monash Ultrasound Pty Ltd	Australia	100%	100%
Monash IVF Auchenflower Pty Ltd (formerly Wesley Monash IVF Pty Ltd)	Australia	100%	100%
Yoncat Pty Ltd	Australia	100%	100%
My IVF Pty Ltd	Australia	100%	100%
ACN 169 060 495 Pty Ltd	Australia	100%	100%
Palantrou Pty Ltd	Australia	100%	100%
ACN 166 701 819 Pty Ltd	Australia	100%	100%
ACN 166 702 487 Pty Ltd	Australia	100%	100%
KL Fertility & Gynaecology Centre Sdn. Bhd.	Malaysia	90%	100%
KL Fertility Daycare Sdn. Bhd.	Malaysia	100%	100%
Sydney Ultrasound for Women Partnership	Australia	100%	100%
Ultrasonic Diagnostic Services Trust No.2	Australia	100%	100%
ACN 604 384 661 Pty Ltd	Australia	100%	100%
Ultrasonic Diagnostic Services Pty Ltd	Australia	100%	100%
Fertility Australia Pty Ltd	Australia	100%	100%
Fertility Australia Trust	Australia	100%	100%
MVF Sunshine Coast Pty Ltd (formerly HBIVF Johor Bahru Lab Pty Ltd)	Australia	100%	100%
Hobart IVF Pty Ltd	Australia	57.4%	47.3%

5.1 Controlled entities (continued)

Controlled entities	Place of business /country	Ownership interest 2020	2019
Gold Coast Ultrasound for Women Pty Ltd	Australia	51%	51%
Monash IVF Asia Pte Ltd[1]	Singapore	90%	-
Monash IVF South Malaysia Pte Ltd[1]	Malaysia	62%	-

[1] In June 2020, the Group established Monash IVF Asia Pte Ltd and Monash IVF South Malaysia Pte Ltd, and acquired majority share (62%) of the assets and liabilities of IVF Consultancy SDN. BHD in Johor Bahru, Malaysia for $0.6m.

5.2 Acquisitions and disposals

Acquisition of Fertility Solutions

On 16 September 2019, the Group acquired Fertility Solutions which operates two clinics located in Buderim (on the Sunshine Coast) and Bundaberg. The business brings six fertility specialists who have worked together for several years into the Monash IVF clinician network. The transaction includes the acquisition of certain assets, liabilities and contracts of Fertility Solutions for an initial cash consideration of $2.1million on a debt free basis, with the potential of additional earn out payments over a four year period to 30 June 2023.

In this financial report, Fertility Solutions contributed $2.2m of revenue and net profit before tax of $0.4m to the consolidated results. If the acquisition had occurred on 1 July 2019, Management estimate that consolidated revenue would have been $2.8m and consolidated profit before tax for the period would have been $0.5m. In determining these amounts, management assumed that the fair value adjustments, determined provisionally would have been the same if the acquisition had occurred on 1 July 2019.

The identifiable assets acquired and liabilities assumed have been determined at fair value:

Consideration	**$'000**
Cash	2,100
Contingent consideration	
Current	600
Non Current	1,200
Total contingent consideration	1,800
Total consideration	**3,900**
Identifiable assets acquired and liabilities assumed	
Prepayments	28
Plant and equipment	943
Inventory	88
Trade and other payables	(325)
Employee entitlements	(199)
Total identifiable net assets	**535**
Total consideration	3,900
less Fair value of identifiable assets	(535)
Goodwill	**3,365**

The Group incurred acquisition related costs of $0.5m relating to external legal fees, due diligence and stamp duty costs. These costs are included in 'professional and other fees' in the Group's statement of profit or loss and other comprehensive income.

Accounting estimates and judgements – Contingent consideration

Deferred or contingent consideration relates to businesses acquired and is initially measured at fair value as at the acquisition date. Subsequent to initial recognition, deferred consideration continues to be measured at fair value with any changes in fair value recognised in the profit or loss.

5.3 Acquisitions and disposals (continued)

The measurement of contingent consideration requires management to estimate the amount likely to be paid in the future. This requires the exercise of judgement, in particular where the amounts is payable is dependent to the future financial performance of the business that has been acquired.

Accounting policy for business combinations

The acquisition method of accounting is used to account for business combinations. The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date. Where the business combination is achieved in stages, the Group measures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets and liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) twelve months from the date of the acquisition or (ii) when the acquirer received all the information possible to determine fair value.

Sale of 10% of KL Fertility & Gynaecology Centre Sdn Bhd (KLFGC)

On 31 December 2019, a share sale agreement was executed for the sale of 10% of KLFGC to two Malaysian fertility specialists. The strategic disposal of part of the Kuala Lumpur clinic is to align and facilitate further growth in Kuala Lumpur and other Asian regions. Total consideration under the share sale agreement was $1.7m payable in cash.

Hobart IVF Pty Ltd Ownership Interest % change (Refer to 5.3)

On 6 August 2019, a buy back agreement was signed between Hobart IVF Pty Ltd and a minority interest shareholder. The purchase price paid for the 17.6% shareholding was $195k. As a result, the Group's shareholding increased from 47.3% to a 57.4% majority shareholding. Accordingly, this resulted in a change of control with full consolidation of this entity in the Group financial statements.

5.3 Investments accounted for using the equity method

	Principal Activity	Ownership Interest %		Share of Net Profit/Loss $'000	
Name of company		2020	2019	2020	2019
Compass Fertility	Fertility Services	25%	25%	205	111
Hobart IVF Pty Ltd (Trading as Fertility Tasmania)*	Fertility Services	-	47.3%	(8)	8

*Refer to Note 5.2

5.4 Parent entity

As at 30 June 2020 and throughout the financial year ending on that date, the parent company of the Group was Monash IVF Group Limited.

Results of parent entity	2020 $'000	2019 $'000
Profit after tax	11,189	13,535
Other comprehensive income	-	-
Total comprehensive income	**11,189**	**13,535**
Financial position of parent entity at year end		
Current assets	2,472	499,137*
Total assets	541,171*	503,003*
Current liabilities	4,952	64,317
Total liabilities	25,447	64,317
Net assets	**515,724**	**438,686**
Total equity of the parent entity comprising of:		
Share capital	506,786	428,757
Retained earnings	8,938	9,929
Total equity	**515,724**	**438,686**

*Includes Intercompany balances with its subsidiaries, as at 30 June 2020, these balances are not expected to be settled within twelve months.

Expenditure contracted for but not recognised as liabilities:

Parent Entity	2020 $'000	2019 $'000
Capital plant and equipment	3,345(1)	-

(1) Capital plant and equipment includes the new Sydney CBD Fertility Clinic in development.

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

5.4 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
- Ultrasonic Diagnostic Services Trust No. 2
- ACN 604384661 Pty Ltd
- Ultrasonic Diagnostic Services Pty Ltd
- Fertility Australia Pty Ltd
- Fertility Australia Trust
- MVF Sunshine Coast Pty Ltd (formerly 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 is set out as follows:

5.5 Deed of cross guarantee (continued)

Extract of the statement of profit or loss and other comprehensive income	2020 $'000	2019 $'000
Profit before tax	13,890	25,654
Income tax expense	(3,463)	(6,516)
Net profit after tax	**10,427**	**19,138**
Other comprehensive income, Items that will not be reclassified to profit or loss:		
Cash flow hedges	779	(603)
Tax on cash flow hedges	(62)	181
Other comprehensive income for the year, net of tax	**717**	**(422)**
Total comprehensive income for the year	**11,144**	**18,716**
Summary of movements in retained earnings		
Opening balance at 1 July	(116,319)	(122,265)
Profit for the period	10,427	19,138
Dividends paid/declared	(12,025)	(13,192)
Closing balance at 30 June	**(117,917)**	**(116,319)**

Statement of financial position		
Current assets		
Cash and cash equivalents	12,421	2,511
Trade and other receivables	9,477	6,415
Current tax asset	1,098	650
Inventory	3,806	3,756
Total current assets	**26,802**	**13,332**
Non current assets		
Investment in subsidiaries	12,943	13,343
Trade and other receivables	-	69
Plant and equipment	17,085	14,170
Right of use assets	36,514	-
Intangible assets	256,412	251,954
Total non current assets	**322,954**	**279,536**
Total assets	**349,756**	**292,868**
Current liabilities		
Trade and other payables	27,014	16,888
Lease liabilities	2,316	-
Derivative financial instruments	-	171
Contingent consideration	600	-
Employee benefits	9,435	8,559
Total current liabilities	**39,365**	**25,618**
Non current liabilities		
Borrowings	18,942	88,349
Lease liabilities	36,314	-
Derivative financial instruments	-	942
Deferred tax liability	819	2,128
Contingent consideration	1,200	-
Employee benefits	1,026	913
Total non current liabilities	**58,301**	**92,332**
Total liabilities	**97,666**	**117,950**
Net assets	**252,090**	**174,918**
Equity		
Contributed equity	506,786	428,757
Reserves	(136,779)	(137,520)
Retained earnings	(117,917)	(116,319)
Total equity	**252,090**	**174,918**

As at 30 June 2020, the Deed of cross guarantee Group has a net current asset deficiency of $13,331,000 (FY19: $12,286,000). Refer to the basis of preparation note in relation to going concern considerations.

Section 6
Other disclosures

6.1 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:

	2020 $	2019 $
Audit services - KPMG		
Audit and review of financial statements	270,000	284,000
Other services - KPMG		
Taxation services	177,000	146,000
Other auditors (Non-KPMG)		
Audit and review of financial statements	11,122	11,949
Total services	**458,122**	**441,949**

6.2 Events occurring after the reporting period

Subsequent to 30 June 2020 and related to the COVID-19 Pandemic, the Group's largest operating market, Victoria in Australia has experienced a surge in COVID-19 cases resulting in its capital city, Melbourne moving to Stage 4 restrictions. Whilst this is disrupting operational efficiency and patient movement, provision of IVF and Ultrasound services are continuing notwithstanding Stage 4 restrictions. IVF services are exempt from the non-urgent elective surgery ban in-place in Victoria due to the service being "time critical and has minimal impact on hospital bed capacity".

Effective 24 August 2020, the Group has right sized the $110m Syndicated Debt Facility to $40m. The $40m accordion facility remains available for acquisitions and capital expenditure.

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.

6.3 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. Monash IVF Group Ltd was incorporated on 30 April 2014. 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').

6.4 Basis of preparation

Statement of compliance

The consolidated financial statements are general purpose financial statements which have 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 consolidated financial statements of the Group comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the international Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 24 August 2020.

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 2020 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.

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.

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.

6.4 Basis of preparation (continued)

Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated recoverable amount of goodwill and other non-current assets

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy for intangible assets. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash generating units, or CGUs). Refer to Note 12 for further details on impairment testing.

(ii) Provision for ECL on receivables

The Group calculates the doubtful debts provision under the expected credit loss (ECL) model. The Group assesses credit losses based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Measurement of ECL allowance for trade receivables is disclosed in Note 8.

(iii) Deferred consideration

The measurement of deferred consideration requires management to estimate the amount likely to be paid in the future. This requires the exercise of judgement, in particular where the amounts is payable is dependent to the future financial performance of the business that has been acquired.

(iv) Leases

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the lease liabilities and right-of-use assets recognised. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if the rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Going concern

As at 30 June 2020, the group has a net current asset deficiency of $7,196,000 (FY19: $8,670,000). 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 cash flows which indicate that cash reserves are sufficient to fund operation, 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.

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by Governments, regulators and industry sectors. The Australian Federal Government enacted its emergency plan on 29 February 2020 which has seen the closure of Australian borders from 20 March, an increasing level of restrictions on corporate Australia's ability to operate, significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant slowdowns and uncertainties. Community disruption has continued beyond 30 June 2020 with further restrictions in-place in Victoria and localised outbreaks emerging across Australia. In response to declaration of a global pandemic in March 2020, the Group implemented a range of measures designed to protect the health and safety of its patients, employee and clinicians. On 25 March 2020, for public safety reasons, the Fertility Society of Australia recommended the postponing of patients planning to start fertility treatment following Federal Cabinet's decision to temporarily suspend non-urgent elective surgery, which was lifted on 27 April 2020.

6.4 Basis of preparation (continued)

This significantly impacted the Group's operating performance during Q4FY20 including a 73% decline in Australian stimulated cycles in April 2020 compared to pcp and a 76% decline in International stimulated cycles in April and May. As a result, the Group initiated the following actions and activities:

- Cash preservation activities across operating and capital expenditure to reduce the Group's monthly net operating cash flow burn during the period of restriction and uncertainty. This included stand-down of employees, a reduction in science, consumables and other clinical variable costs and a reduction in fixed non-essential expenditure including temporary reduction in premise costs. In addition, non-essential capital projects were paused;
- 1H20 interim dividend due for payment in April 2020 was deferred to 2 October 2020;
- Execution of an $80m equity raise comprising an institutional placement and pro-rata accelerated non-renounceable entitlement offer, which was completed on 28 May 2020. The purpose of the equity raising was to improve liquidity, strengthen the balance sheet by reducing debt to navigate through COVID-19 uncertainty in FY20 and beyond, and provide flexibility to pursue identified organic and non-organic growth opportunities in Australia and South East Asia;
- Agreement was reached with the Group's financiers to waive financial covenant obligations until 30 June 2021 under the Syndicated Debt Facility.

Following the actions implemented above and COVID-19 developments, the Directors have considered plausible forecast cash flow scenarios (including adverse downside scenarios) for at least the twelve month period from the date of approval of these financial statements. As a result, the Directors consider that the Group is able to pay its debts as and when they are due and these financial statements can be prepared on a going concern basis.

6.5 Changes in significant accounting policies

The Group has applied AASB 16 Leases from 1 July 2019. A number of other new standards are effective from 1 July 2019 but they do not have a material effect on the Group's financial statements. This is the first set of the Group's financial statements where AASB 16 Leases has applied, the changes are described below.

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. In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate across a portfolio of leases with reasonably similar characteristics in relation to lease term;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short term leases which are recognised on a straight line basis as an expense; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition to AASB 16, the Group recognized right-of-use assets and lease liabilities, recognizing the difference in retained earnings. The impact of the adoption of AASB 16 is set out below:

On 1 July 2019	$'000
Right of use assets	29,547
Lease liabilities	(31,180)
Deferred tax asset	790
Retained earnings	1,843

6.5 Changes in significant accounting policies (continued)

When measuring lease liabilities for leases that were classified as operating leases, The Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 3%.

Operating lease commitment as disclosed at 30 June 2019	14,073
Discounted using the incremental borrowing rate at 1 July 2019	(2,159)
Lease liabilities recognised as at 30 June 2019	11,914
Recognition exemption for leases of low-value assets	-
Recognition for leases with less than 12 months of lease term at transition	-
Extension options reasonably certain to be exercised	20,266
Lease liabilities recognised at 1 July 2019	32,180

* In November 2019, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, Lease Term and Useful Life of Leasehold Improvements, on how lease term of a cancellable or renewable lease should be determined for both the lessor and lessee when applying AASB 16 Leases. IFRIC clarifies that the broader economics and not only the contractual termination payments should be considered in determining lease terms. The adoption of this clarification increased right of use assets by $8,154 and lease liabilities by $8,926 in the Statement of Financial Position.

In relation to the leases under AASB 16, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the year ended 30 June 2020, the Group recognised:

Depreciation expense	5,640
Interest expense	1,046

Accounting policy

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if the rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the lease liabilities and right-of-use assets recognised.

At transition, for leases classified as operating leases under AASB 117 Leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at their carrying value as if AASB 16 has been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property lease.

6.6 New standards and interpretations

The following accounting standards, amendments to accounting standards and interpretations have been identified as those which will impact the Group in the period of initial adoption. They were available for early adoption for the Group's annual reporting period beginning 1 July 2019, but have not been applied in preparing this financial report. These standards are not expected to have a material impact to the Group:

6.6 New standards and interpretations (continued)

- Amendments to References to Conceptual Framework in IFRS standards
- Definition of a business (Amendments to AASB 3)
- Definition of material (Amendments to AASB 101 and AASB 108)

Monash IVF Group Limited

Directors' Declaration

for the year ended 30 June 2020

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 54 to 94 and the Remuneration report on pages 19 to 33 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 2020 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 5.1 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 2020.

4. The Directors draw attention to page 90 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 Melbourne, 24th day of August 2020

Mr. Richard Davis
Chairman

24 August 2020

Mr. Michael Knaap
Chief Executive Officer and Managing Director

24 August 2020

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 2020 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 2020
- 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 (including Independence Standards)* (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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Monash IVF Group Limited, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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.

Goodwill ($233.2 million)

Refer to Note 2.6 of the Financial Report

The key audit matter

At 30 June 2020 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, and the estimation uncertainty continuing from the business disruption impact of the COVID-19 global pandemic. We focused on the significant forward-looking assumptions the Group applied in its value in use models, including:

- Forecast cash flows, growth rates and terminal growth rates in light of the changes in market conditions, including the impact from COVID-19, that have impacted the actual and expected performance of the relevant CGUs. These conditions impact our consideration of forecasting risk; and
- 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. Modelling, including those containing judgemental allocations of corporate costs to CGUs, that use forward-looking assumptions can be prone to greater risk for potential bias, error and inconsistent application especially in this current environment. Where the Group has not met prior year forecasts in relation to a specific CGU we factor this into our assessment of

How the matter was addressed in our audit

Our procedures included:

- We considered the appropriateness of the Group's value in use methodology to perform the annual test of goodwill for impairment against the requirements of the accounting standards;
- We assessed the Group's underlying methodology and documentation for the allocation of corporate costs to the respective CGUs. We examined the forecast cash flows contained in the value in use model for consistency with our understanding of the business and the criteria in the accounting standards;
- We met with management and those charged with governance to understand the impact of COVID-19 to the Group and impact of government response programs to the actual and forecast results;
- We assessed the integrity of the value in use models used, including the accuracy of the underlying calculations formulas;
- We compared the forecast cash flows contained in the value in use models to revised forecasts reflecting the COVID-19 expected recovery rate approved by the Board;
- 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 current period 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, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or

forecast assumptions. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.

In addition to the above, the carrying amount of the net assets of the Group exceeded the Group's market capitalisation at year end, increasing the possibility of goodwill being impaired. This further increased our audit effort in this key audit area.

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.

inconsistency in application and 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 the expected continuation of significant uncertainties arising from the COVID-19 global pandemic. We compared key events to the Board approved plan and strategy. We compared forecast growth rates and terminal growth rates to authoritative published information regarding industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, business and customers and our industry experience;
- We checked the consistency of growth rates to the Group's revised plans and our experience regarding the feasibility of these plans in the industry in which it operates and current economic environment;
- We assessed the Group's explanation of differences between the year-end market capitalisation and the carrying amount of the net assets based on our understanding of the business and the industry it operates in;
- Working with our valuation specialists, we independently developed a comparable discount rate range from publicly available market data for comparable entities and adjusted by specific risk factors to the Group and the industry it operates in; and
- We assessed the disclosures in the financial report using our understanding obtained from our testing and 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, Appendix 4E, Corporate Governance Statement and FY20 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 and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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_responsibilities/ar2_2020.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Monash IVF Group Limited for the year ended 30 June 2020, 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 19 to 33 of the Directors' report for the year ended 30 June 2020.

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

KPMG

BW Szentirmay
Partner

Melbourne
24 August 2020