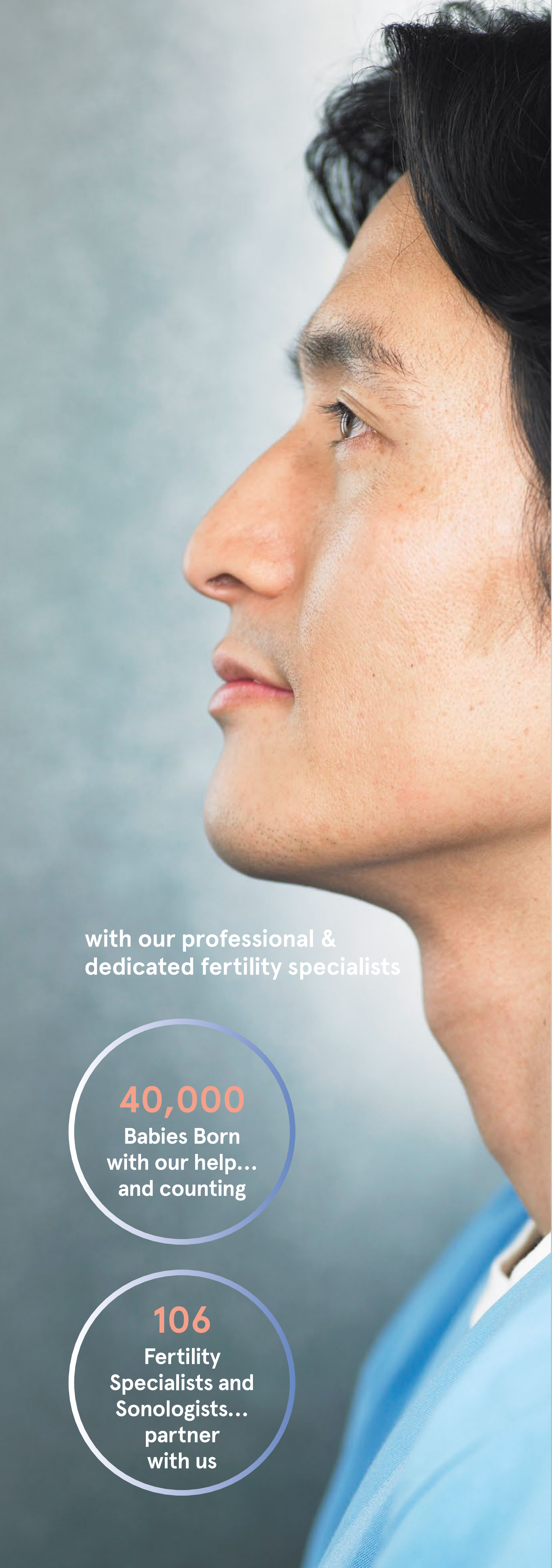
MONASH IVF GROUP

Growing stronger...

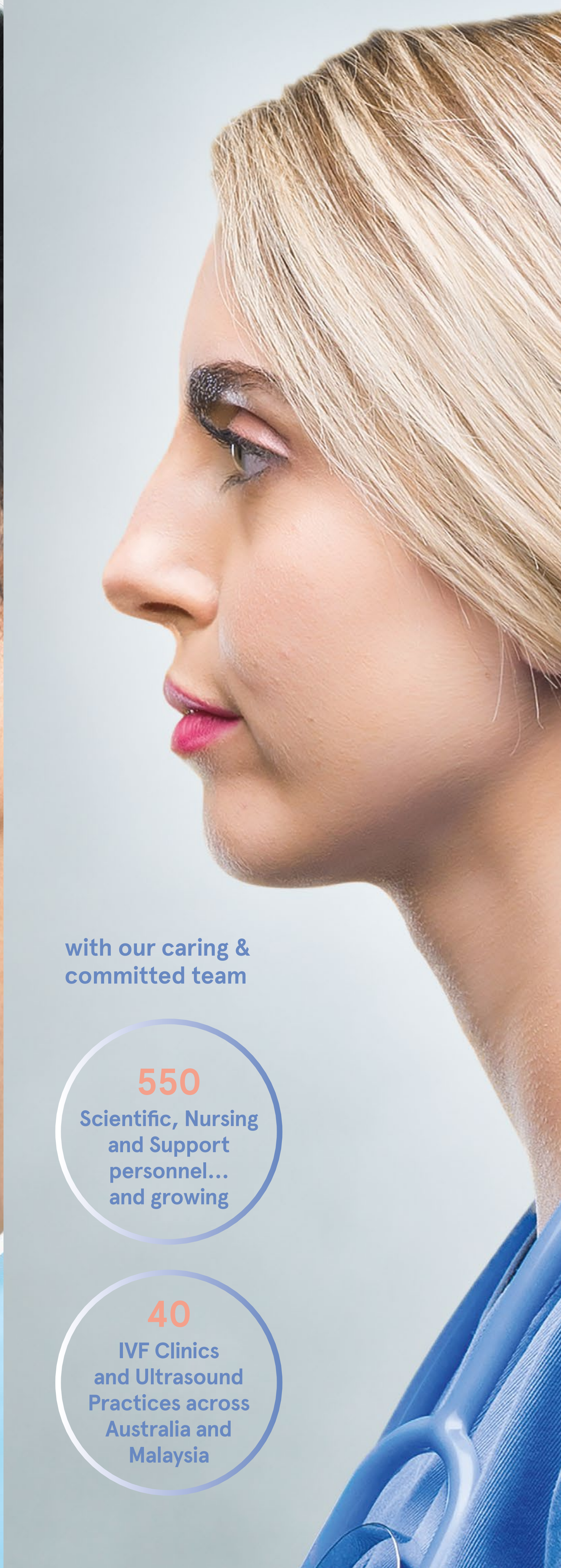
Annual Report 2019



with our professional & dedicated fertility specialists

40,000
Babies Born with our help... and counting

106
Fertility Specialists and Sonologists... partner with us



with our caring & committed team

550
Scientific, Nursing and Support personnel... and growing

40
IVF Clinics and Ultrasound Practices across Australia and Malaysia

...together.

Today we continue to lead the world in scientific leadership with the world first, internally developed, non-invasive pre implementation genetic screening technology. This is another example of how we have continued to build on our pioneering heritage since achieving the world's first IVF pregnancy. We look to the future with a focused strategic growth plan and the right team with the experience and capabilities to take advantage of the exciting opportunities available to us.

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Chairman's Report

I am pleased to present Monash IVF's annual report. We have worked hard to build on our scientific leadership and improve the patient experience. Our people and our doctors have been integral to our strong financial performance and achievements this year.

NPAT
(2.3%)
2nd Half
↑9.5%

Revenue
0.9%
2nd Half
↑1.5%

EBITDA
(0.8%)
2nd Half
↑6.71%

During the year, the Board and management team refined the group's business strategy and vision.

Our strategy is clear and focused to deliver continued, profitable growth in the coming years. The strategy optimises our deep knowledge and experience within the Assisted Reproductive Services market and capitalises on the significant opportunities that exist in Australia and overseas.

We have already begun to make inroads into our domestic and international expansion plans, by acquiring Fertility Solutions to expand our footprint and progressing plans for potential partnerships/acquisitions within the Asia Pacific region.

Our underlying profit before one off items was $20.9 million with revenues of $152 million. Importantly, we returned to positive earnings growth in the second half of 2019 as forecast at the 2018 Annual General Meeting. Our cash conversion was 107.1% and total fully franked dividends declared of 6.0 cents per share.

Both our existing Australian and Malaysian businesses delivered solid financial performance. Australian Full Service Stimulated Cycles (excluding the impact of a departed specialist) grew by 3.7% in 2019, while we achieved 21.8% growth in our International operation. Ultrasound scans for the year were flat as a result of the shift of patients to the public sector, particularly in our Sydney business.

Nine new fertility specialists were recruited during the year to provide additional growth capacity and succession planning, however post year end, five uncontracted doctors departed in Victoria. Monash contracted doctors today perform more than 95% of the Group's Full Service Stimulated Cycles.

Engagement with our employees and fertility specialists continues to be a significant focus. The implementation of new programs and initiatives saw our overall employee engagement scores increase by 11%.

Our patients have always been at the centre of what we do. This year we extended our patient centric approach with the introduction of a patient satisfaction measurement. This methodology will ensure we continue to lift the bar and optimise the patient experience.

We also continued to invest in world leading science, giving our patients the best possibility of having a healthy baby. This year Monash IVF scientists developed a non-invasive, pre implementation genetic screening technology. A number of other key innovations are also well progressed and geared towards our unrelenting focus on delivering better patient outcomes.

Our fertility specialists, nurses, scientists and administrative teams have been integral to this year's performance and achievements. The passion and commitment from our team is incredible. I continue to be humbled by the empathy, care and support that our people show every day to our patients and I thank them for their contribution throughout the year.

I would like to thank our new CEO, Michael Knaap and our new CFO, Malik Jainudeen and the rest of the management team for their leadership during 2019.

Overseeing one of the world's best fertility solutions providers, the Board and I are extremely excited about our future. We are looking forward to continuing to deliver exceptional care for our patients in partnership with our doctors and strong financial results for our shareholders in 2020.

Richard Davis
Chairman
Monash IVF Group


monash ivf

Managing Director and CEO's Report

In 2019 we've continued to break new ground with improvements in fertility care, women's imaging and diagnostics.

Dividend Remained at 6.0 cents

↑21.8% Growth in Stimulated cycles in KL

↑11.3% Growth in QLD, NSW, SA

It is a privilege to be appointed to the position of Interim CEO in October 2018 and formally appointed as CEO and Managing Director in April 2019.

This year we demonstrated strong progress against our strategy with a return to earnings growth in the second half of FY19. Total growth of 11.3% was achieved in the combined markets of New South Wales, Queensland and South Australia. Our Malaysian clinic in Kuala Lumpur also continued to deliver strong volume and earnings growth, with stimulated cycles growing by 21.8%. The Group as a whole is building strong momentum together.

During the year we focused on the evolution of our organisational strategy refining our long term strategic roadmap with the development of Vision 2022. We have expanded on our existing strategic pillars of Patient Experience, Clinical Excellence, Scientific Leadership and People Engagement, to emphasise Doctor Partnerships, Brand and Marketing, Digital and Systems Transformations and International Expansion. These complementary pillars ensure our strategy is comprehensive and can deliver on our mission.

We have made significant in roads in many of our strategic pillars. Scientific Leadership was particularly showcased in FY19 with our world first, internally developed, non-invasive, pre-implantation genetic screening technology. This innovation symbolises our heavy focus on scientific and medical research ensuring we are giving our patients the best possibility of having a health baby. This type of research and successful commercialisation delivered by our best in class scientific teams continues to be at the forefront of Monash IVF enabling better patient outcomes.

Enhancing our Patient Experience with a focus on care, empathy, support and consistency across all patient engagements has seen a 16% improvement in our Net Promoter Score (NPS). People Engagement also improved by 11% underpinned by our Principles, leadership, coaching and engagement improvement initiatives.

Engagement of clinicians continues to remain a critical focus. We attracted 9 new fertility specialists to the Group in FY19. We continue to actively enhance our doctor value proposition with regular communication and targeted marketing, building the Monash IVF Group reputation as the trusted advisor for fertility. Ongoing research opportunities and continued expansion of our clinic and consulting network across all markets and a commitment to clinical excellence leads to a best practice patient experience.

To grow our market share we welcomed Fertility Solutions into our Group. This expands our footprint in Queensland, with fertility clinics in Sunshine Coast and Bundaberg performing more than 300 stimulated cycles per annum. Through this we also welcomed 6 new fertility specialists to the group. These clinics and the great people that work in them provide a very strong platform for growth in the domestic market.

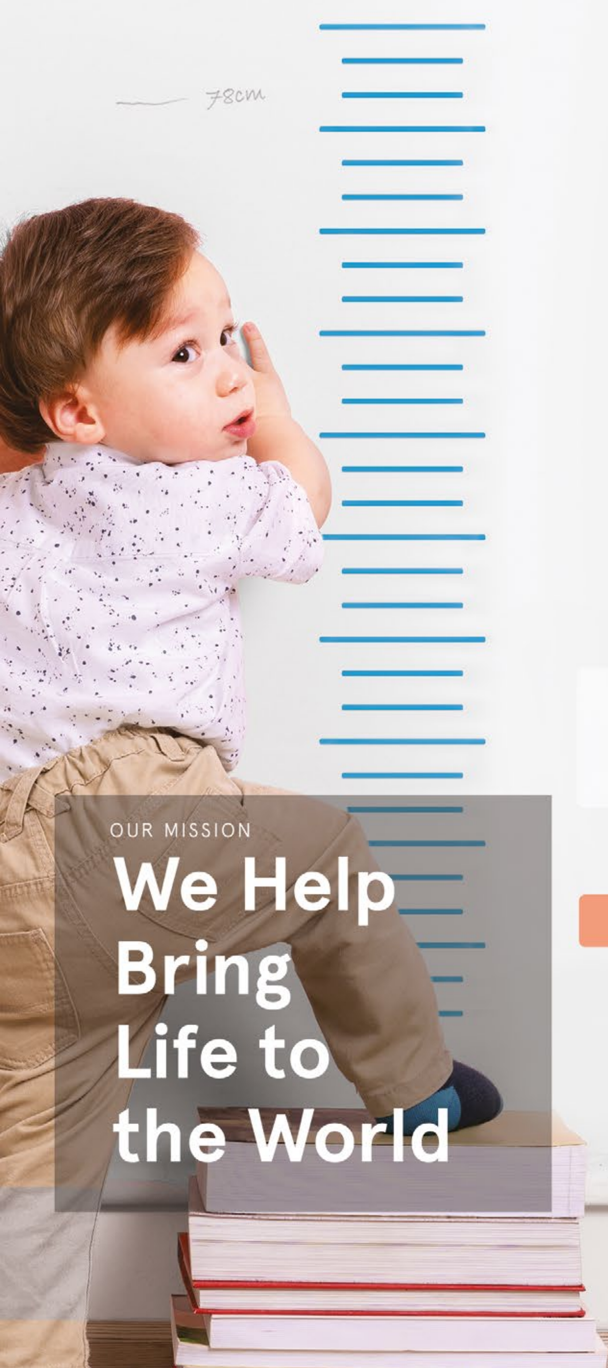
In 2019 we've continued to break new ground with improvements in fertility care, women's imaging and diagnostics. With a new Sydney CBD flagship ultrasound clinic opened in March 2019 we have seen positive growth of 7% in the 4th quarter of FY19. Non Invasive Pre-implantation Test (NIPT) volumes increased by 0.7% and NIPT volume now represents 4% of Group revenue. We have also established a reproductive carrier screening service.

Our business is considerably stronger than 12 months ago. We will continue to break new ground with improvements in fertility care, women's imaging and diagnostics. There is a lot to be proud of but there is still a lot to do. I would like to finish by thanking our people for their incredible commitment, passion and pride. We have industry leading talent and the highest experience at Monash IVF Group. The work they do each day drives better outcomes for our patients and inspire me to deliver on our growth strategy for years to come.

Michael Knaap
Chief Executive Officer
and Managing Director
Monash IVF Group

Looking to the future... Our Vision 2022

The Vision 2022 Strategic Roadmap provides a clear pathway forward and enables everyone to understand the priorities, actions and decisions required to achieve success.



OUR MISSION

We Help Bring Life to the World

OUR VISION

The most admired fertility solutions provider in the world

Best in class fertility solutions for all, diagnostics, genetics and pathology

OUR PILLARS

- Doctor Partnerships
- People Engagement
- Patient Experience
- Brand & Marketing
- Scientific Leadership
- Digital & Systems Transformations
- Clinical Excellence
- International Expansion

OUR OUTCOMES

- **Engagement** – Patients, Doctors, People, Regulators
- **Market Leading Success Rates**
- **Local & International Market Share**
- **Value Creation**

OUR PRINCIPLES

Care | Commitment | Communicate | Collaborate | Create

Our Pillars

Scientific Leadership

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

The Monash IVF Group Scientific Advisory Committee (GSAC) is committed to leading the way in scientific innovation and excellence. The GSAC members include the Director of Research & Development and the Group Scientific Directors who have strengthened the scientific collaboration across the disciplines of Embryology, Genetics, Andrology and Pathology.

The principal focus of GSAC in 2019 was to formalise and launch the "Monash Way", an evidence based best practice in scientific protocols to align all laboratories within the Group.

The continuous improvement in pregnancy rates across all patient treatment cycles, including fresh IVF/Intra Cytoplasmic Sperm Injection (ICSI) and frozen embryo transfers has been a strong focus across the science disciplines in 2019.

A new initiative in FY19 was the introduction of end to end, highly detailed, site specific laboratory reviews performed by the Scientific Directors based in each geographical region. A bespoke programme of scientific education has also been successfully launched with the support of a dedicated learning and development role.

This will enhance and develop the scientific capability of the team. The shared knowledge across the scientific group, backed by implementation of benchmarking has resulted in higher pregnancy success for patients and a premium service offering for the clinician group. Key initiatives in 2019 included:

- Collaboration and communication across the scientific community
- Upgrade of endocrine services
- Automated semen analysis
- Embryoscope trial
- Non-invasive preimplementation genetic screening technology launch

The "Monash Way"

GSAC has been formalising the "Monash Way" for scientific excellence, to ensure our scientists help us achieve our mission to help bring life to the world. Further initiatives currently underway include;

- Lab benchmarking and setting of KPIs
- Scientist education programmes through Learning Management Software
- Renewed competency framework for scientists
- Standardised and centralised success rate reporting
- Lab reviews to assess risk minimisation, disaster recovery and operating efficiencies

Doctor Partnerships

We develop mutually beneficial long term partnerships with our doctors that benefit our patients and enables growth.

Increased engagement and more personalised support for our doctors has been a key focus during the year. More group forums and one-on-one meetings have occurred during the year to meet doctor requirements.

Increased doctor support initiatives included new co-marketing initiatives and expanded research opportunities such as the refresh of the Monash IVF Research and Education Foundation. We continue to hold regular clinical governance and education sessions such as regular state clinical advisory committee meetings and Monash IVF Group Clinical Education forums held in late 2019. Our doctor engagement survey results increased by 20% over the year.

We were delighted to welcome nine new fertility specialists to the Monash IVF Group. Sixteen new fertility specialists have joined the Group in the last eighteen months providing future growth capacity and succession planning.

Our doctor engagement survey results increased by **20%** over the year.

Jinny Foo: Partnering with Monash IVF

BMed, MRepMed, MWomHMed, FRANZCOG

Dr Jinny Foo started working with Monash IVF in 2017. Initially qualified as an obstetrician and gynaecologist, Dr Foo is currently working towards her Certificate in Reproductive Endocrinology and Infertility (CREI) under the supervision, guidance and mentorship of Dr Peter Benny.

The combination of her qualifications and experience allow Dr Foo to provide an end to end approach to fertility care.

"I am passionate about providing patients with a holistic experience. From the moment a patient sets out to have a baby, to assisting them with their fertility, through to delivering a healthy baby. Working with Monash IVF enables me to do that."

Dr Foo has a special interest in fertility preservation not only for patients experiencing cancer treatment but also those with childhood illnesses requiring assistance with their fertility journey.

Her caring and compassionate approach towards patients during what can be an emotionally challenging experience is evident.

"I always tell my patients there are many ways to have a family, and we will find the best way for them based on their individual needs."

Our Pillars

Clinical Excellence

Establish excellence in clinical care across the fertility and pregnancy journey through high quality, fit-for-purpose clinical services and infrastructure.

Over the last year we commenced a long term program of refreshing our clinic infrastructure with the opening of a new flagship 'Sydney Ultrasound for Women' clinic in Kent Street, Sydney and the modernisation of patient consulting areas and laboratory at Monash IVF Clayton.

Recognising the growth in populations outside metropolitan Melbourne and Sydney, we have increased services in eastern Melbourne, in existing regional locations and commenced upgrading our Penrith clinic to expand our presence in Greater Western Sydney leveraging our established Parramatta clinic.

Investments in improving patient quality and safety have included further refinement to incident reporting and the training of front-line teams on managing and responding to incidents.

Our state Medical Directors and local Medical Advisory Committees have led a number of initiatives in improving clinical practice, responding to external regulatory and community expectations with insights being shared across the Group through the Group Medical Advisory Committee.

Brand and Marketing

Communicate our 'brand value proposition' through new and targeted go to market strategies, including early education, digital, sponsorship and events.

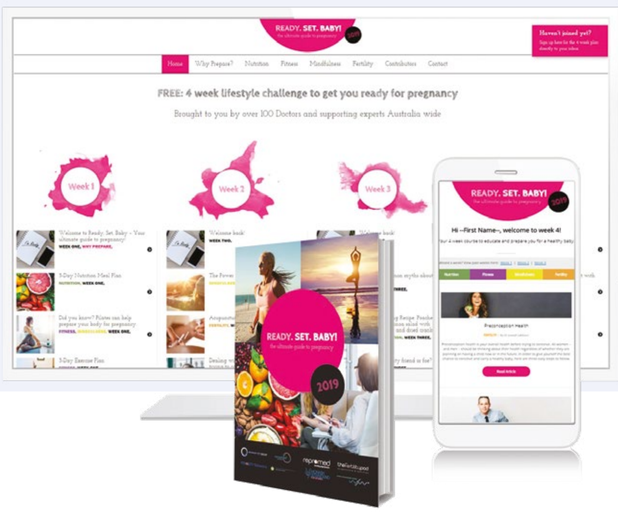
Our focus on building brand equity and confidence in the Monash IVF brand is having a positive impact with brand awareness and preference increasing across most States.

We continue to invest in and evolve our brand and marketing strategy. This includes developing a deep understanding of our patients needs and their entire patient journey.

Communication platforms that enable us to provide more support and engage with our patients earlier in their fertility journey have been implemented through initiatives such as Ready, Set, Baby, and regular educational seminars for patients.

These educational seminars enable our patients to access the expertise of Monash IVF specialists, nurses and scientists in a supportive and empathetic environment.

We also implemented a successful sperm donor campaign through Australia Needs Your Sperm providing more support for our patients.



Digital and systems transformation

Build a scalable, robust and secure next generation IT service offering, enhancing interactions with patients, doctors and people.

At the core of our digital strategy is the migration to cloud based computing. One of the projects leveraging this is our rollout of video conferencing for all our staff. This is increasing collaboration internally across our sites and is facilitating remote consultations with our patients.

We will continue to take advantage of the scalability available in cloud services to support our cyber security and growth initiatives.

International Expansion

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

Our international growth aspirations are focused on exporting our fertility services to Asia and beyond through effective partnerships.

The success of the Kuala Lumpur clinic has provided us with knowledge and understanding of the dynamics of the region and how to optimise a clinic roll out.

The Monash IVF brand, our scientific leadership and innovative offering is a valuable proposition to potential healthcare partners in the South East Asian region. Asia-Pacific has an attractive future growth profile and we are well-placed and structured to provide best in class fertility solutions for all in the region.

Market Opportunity Asia Pacific

Our Pillars

Patient Experience

We are committed to delivering a patient experience across the continuum of care that is empathetic, empowering and personalised to all patients consistent with our best in class offering.

We have continued evolving our services to be more personalised and responsive to patients. This has been led at both a national and local level with cross-functional teams using the insights of the Patient Net Promoter System to make change. Changes have included more tailored counselling support, more fertility nurse phone based support and new patient information tools on-line and in-clinic.

We also invested in improving our donor and surrogacy services with more personnel deployed to this area and successful campaigns to recruit sperm donors (Australia Needs Your Sperm) as well as successfully obtaining approval from the Victorian regulator (VARTA) for the use of an overseas sperm provider.

Collectively patient focused changes to our service delivery model as well as new payment options, such as Zip Money and gap only payments, have had a significant impact on patient satisfaction before, during and after their experience. Our Patient Net Promotor Score improved 16% over the year.

People Engagement

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

Employee engagement continued to drive our people strategy in 2019. Embedding Our Principles Framework into all of our people processes including performance development, leadership development, attraction and retention, health and wellbeing, diversity and inclusion, communication and reward, has led to an improvement of our overall employee engagement score by 11%.

The introduction of our Reward program, Cudos, recognises our employees for achieving exceptional outcomes by living Our Principles and most importantly delivering positive outcomes to our patients. We had a record number of awards in the 2nd half of FY19 across the business.

cudos REWARD PROGRAM

Our Achievements

10
Joint studies with research partners

71%
Female representation in Leadership positions

↑ 20%
Improvement in Clinician Engagement

80,860
Diagnostic Scans

↑ 16%
Improvement in Patient Net Promoter Score (NPS)

13,108
NIPT Tests

↑ 11%
Improvement in Employee Engagement

Research and Innovation

Our scientific research is rewarded with commercialised technologies and real world outcomes.

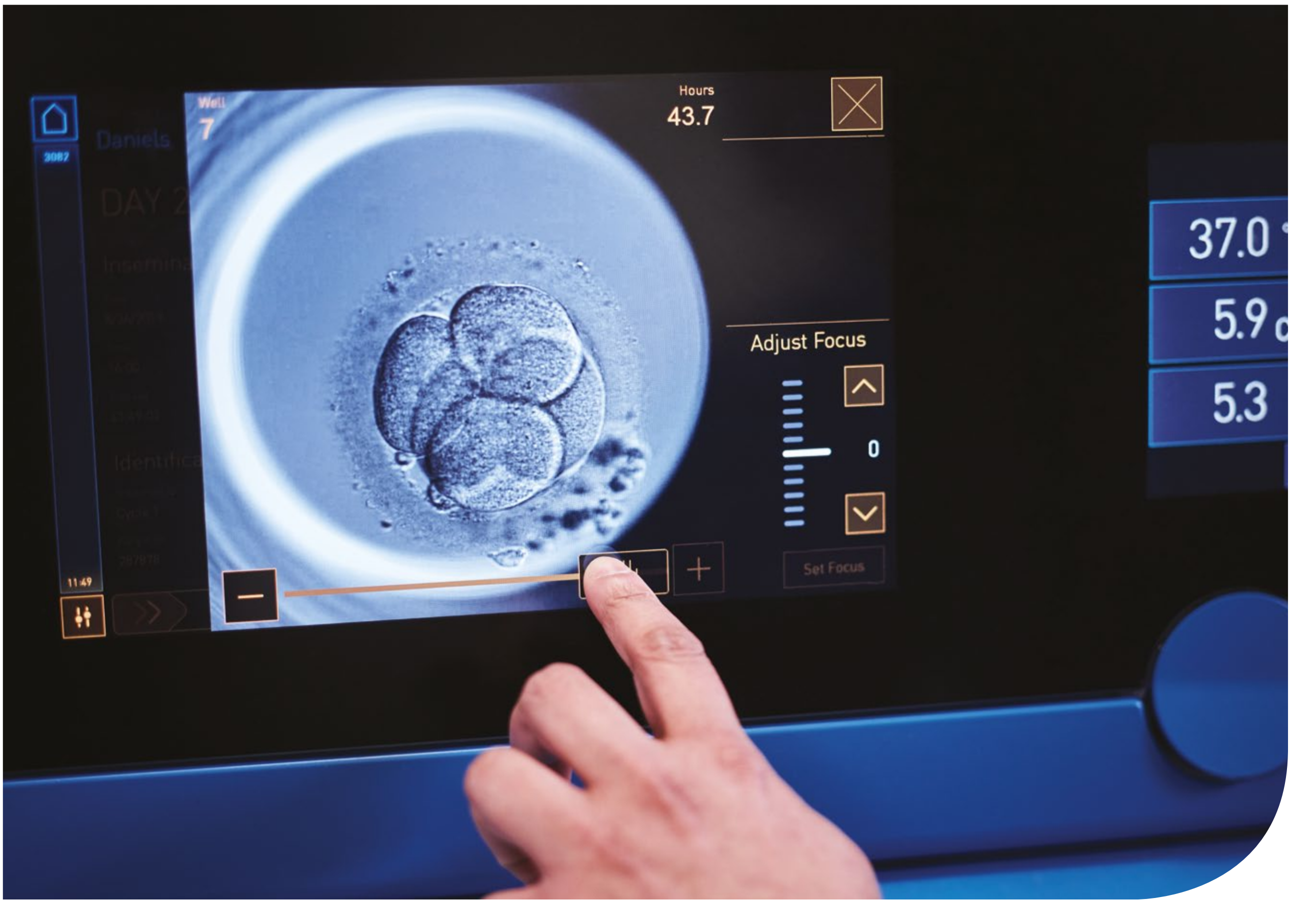
Our in-house research and development has focussed on methods to improve the outcomes for our patients. During the year we successfully completed clinical trials on a new, non-invasive method for assessing the chromosome complement of embryos leading to the commercialisation of world-first technology non-invasive pre-implantation genetic screening.

We have also recently completed a clinical trial for a new gentler ICSI (Intracytoplasmic Sperm Injection) procedure that vastly improves fertilisation rates, resulting in patients having more embryos for transfer. This technology will be available exclusively to our patients in early FY20.

An extensive internal and external consultation on the goals and objectives of the Monash IVF Education and Research Foundation (MREF) has been a catalyst for renewed collaborative partnerships with innovative institutions and companies in the sector, focusing on the translation of new knowledge into clinical practice as a core focus. In the last 12 months we have been actively collaborating with several companies in developing and assessing new technology in sperm selection and embryo culture and viability assessment that will be launched to the market in the coming year.

In April 2019, Professor Rob McLachlan with colleagues from the University of New South Wales were awarded $3.8 million by the Federal Health Minister for research into the causes and prevention of male infertility. Of particular relevance is a proposed longitudinal study of infertile men and their offspring in collaboration the Murdoch Children's Research Institute and Monash University.

Across FY19, the largest ever study of the health and genetics of the first generation of men conceived by ICSI neared completion with over 700 couples approached and 70 young men presenting for full assessment. This major study was conducted with Monash University. In 2020, analysis of data on their fertility, health and genetic and epigenetics will have progressed significantly.



Clinical Governance

Professor Luk Rombauts says –

"Monash IVF has very strong clinical and scientific governance, structures and policy in place. These are aimed at ensuring a strong focus on safety, outcomes and high quality patient centered care.

The depth and breadth of our clinical and scientific expertise ensures we can offer a higher level of care for patients with complex needs.

For example, we have doctors in each State who practice a sub specialty such as urology, andrology, reproductive endocrinology, reproductive surgeons, and reproductive immunologists.

We also have specialist CREI training units which enables us to foster ongoing education within Monash IVF, and again ensures we have the expertise to manage the most complex cases.

The diversity of our clinical and scientific teams is broad in terms of both gender and ethnicity. This enables us to be sensitive to the diverse ethnicity of our population."

Financial Highlights

2H19 Revenue
$74.8m
2H18 $73.7m
↑ 1.5%
FY19: $152.0m
(Up 0.9%)

2H19 EBITDA[1]
$18.5m
2H18 $17.3m
↑ 6.7%
FY19 Underlying:
$37.8m (Down 0.8%)

2H19 EBITDA margin%
24.7%
2H18 23.5%
↑ 1.2%
FY19 Underlying: 24.9%
(Down 0.4%)

2H19 NPAT[2]
$10.2m
2H18 $9.3m
↑ 9.5%
FY19 Underlying: $20.9m
(Down 2.3%)

2H19 Cash Conversion[3]
113.9%
2H18 103.2%
↑ 10.7%
FY19: 107.1%
(Up 13.8%)

2H19 Free Cash Flow[4]
$12.6m
2H18 $9.9m
↑ 28.0%
FY19: $26.6m
(Up 37.2%)

$m	FY19	FY18	% change
Group Revenue	$152.0	$150.6	0.9%
EBITDA[1][2]	$37.2	$38.1	(2.3%)
EBITDA[1][2] before one-off items[5]	$37.8	$38.1	(0.8%)
EBIT	$31.3	$33.2	(5.6%)
NPAT attributable to ordinary shareholders	$19.9	$21.4	(7.0%)
NPAT before one-off items[6]	$20.9	$21.4	(2.3%)
EPS (cents)	8.4	9.1	(7.7%)
DPS (cents)	6.0	6.0	–
	30 June 19	**30 June 18**	
Net Debt (m)	$84.7	$94.1	
Net Debt to Equity ratio[3]	48.8%	56.4%	
Return on Equity (pa.)[4]	12.0%	12.8%	

Chief Financial Officer's Report

We returned to earnings growth in the second half and achieved full year revenue growth.

Our full year revenue increased by \$1.4m or 0.9% notwithstanding the departure of a high volume Victorian fertility specialist in September 2017 which impacted both the first half and second half. It was pleasing that our South Australian, New South Wales and Queensland fertility businesses experienced 11.3% growth in Stimulated Cycles combined, resulting in additional revenue of \$3.3m. Our Kuala Lumpur clinic continued to grow from strength to strength, delivering 21.8% Stimulated Cycle growth, contributing additional revenues of \$2.8m. This Clinic has now demonstrated year-on-year volume growth since acquisition in 2013.

Full year underlying EBITDA was down by \$0.3m or 0.8% however, second half EBITDA was up 6.7% on pcp growing full year EBITDA margin to 24.9%, compared to 23.5% in 2H18. Margin improvement was largely achieved through both volume leverage and cost reductions. Cost base initiatives included a need to re-align our Victorian cost base given lower activity, whilst the closure of the Mosman clinic in Sydney and transition of its activity to Bondi Junction was a success. A focus on our cost base was critical in funding our long-term plans for growth including an increase of almost \$1m in marketing expenditure, investment into greater capacity while improving our service delivery and value proposition to patients, specialists and staff.

Cash flow was exceptional this year with net operating cash flow before tax up by \$4.4m or 12.3% and free cash flow up by \$7.3m or 37.2%. Pre-tax conversion of EBITDA to operating cash flow increased to 107.1% compared to 93.3% in pcp, driven by an improvement in patient receipts due to several collection initiatives, including introduction of a website payment portal.

As a result, we were able to improve Net Debt by \$9.4m to \$84.7m, fund dividend payments of \$13.2m and capex of \$6.5m for replacement and growth assets, including a flagship womens imaging clinic in Sydney CBD. Our capital management metrics vastly improved with our leverage ratio reducing from 2.46x to 2.24x, net debt to equity ratio of 48.8% and interest cover ratio comfortably at 10.6x.

Our lenders continued to support our Business by extending the maturity profile on our total \$155m debt facilities to no earlier than January 2022, with no change to covenant requirements.

The Board declared a 3.0 cents fully franked FY19 final dividend, bringing the total franked dividends declared for FY19 to 6.0 cents per share, reflecting an underlying NPAT dividend payout ratio of 67.8%.

Malik Jainudeen
Chief Financial Officer
and Company Secretary
Monash IVF Group

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

(2) EBITDA is a non IFRS measure which is used by the Group as a key indicator of underlying performance. This and any other non IFRS measure is not subject to audit or review.

(3) Net Debt to Equity is calculated using Net Debt divided by equity as at 30 June 2019.

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

(5) EBITDA adjusted for one-off items including Mosman clinic closure make-good provision (\$100k pre-tax) and CEO separation costs (\$473k pre-tax).

(6) NPAT attributable to ordinary shareholders adjusted for one-off items including Mosman clinic closure accelerated depreciation (\$882k pre-tax), make-good provision (\$100k pre-tax) and CEO separation costs (\$473k pre-tax).

Board of Directors

Mr Richard Davis

Independent Chairman

Mr. Richard Davis joined the Group in June 2014 and is currently serving as a non-executive director of ASX listed companies, InvoCare Limited and Australian Vintage Limited (and Chairman of Australian Vintage).

Richard worked for InvoCare for 20 years until 2008. For the majority of that time he held the position of CEO and managed the growth of that business through a number of ownership changes and over 20 acquisitions, including offshore in Singapore.

Prior to InvoCare Limited, Richard worked in venture capital and as an accounting partner of Bird Cameron. Richard holds a Bachelor of Economics from the University of Sydney.

Mr Josef Czyzewski

Independent Non-executive Director

Mr. Josef Czyzewski joined the Group in June 2014 and has over 30 years of experience in senior finance positions and significant experience in the health industry.

Josef has held the positions of CFO at Healthscope Limited and more recently CFO/General Manager Strategy and Development at Spotless Group Limited following its takeover by private equity interests in 2012.

Prior to that time, Josef had held various senior finance positions with BHP Billiton including VP Finance and Corporate Treasurer. He holds a Bachelor of Commerce from the University of Newcastle and is a Graduate Member of the Australian Institute of Company Directors.

Ms Christina ('Christy') Boyce

Independent Non-executive Director

Ms Christy Boyce joined the Group in June 2014. Christy is also a director of Port Jackson Partners and a non-executive director of ASX listed companies, Greencross Limited and Oneview Healthcare. Christy is a former director of Cryosite Limited.

Christy has over 20 years of management consulting experience in both Australia and the United States and has worked extensively with major corporations on corporate strategy. Prior to joining Port Jackson Partners, Christy spent 14 years with McKinsey and Company, where she was a partner.

She holds a Bachelor of Economics from the University of Sydney, a Masters of Management from the Kellogg Graduate School of Business (Northwestern University) and is a Graduate Member of the Australian Institute of Company Directors.

Mr Neil Broekhuizen

Independent Non-executive Director

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.

He is 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.

Michael Knaap

Chief Executive Officer & Managing Director

Mr Michael Knaap was appointed to the role of Chief Executive Officer and Managing Director for Monash IVF Group on 15 April 2019.

Following his tenure as MVF Group's Chief Financial Officer and Company Secretary since August 2015, Michael was appointed to Interim CEO in Oct 2018.

Mr Knaap has nearly 20 years experience in executive positions with a strong operational, strategic and leadership background. Prior to joining MVF Group, Michael was with Patties Foods Limited where he held a number of executive positions over six years, including the role of Chief Financial Officer and Company Secretary.

He holds a Bachelor of Accounting from Monash University and is a Certified Practising Accountant.

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

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

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

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

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

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

Management Team

Top left to bottom right:

Fiona Allen
Chief Marketing Officer

Brett Comer
Chief Operating Officer

Nicolette Curtis
Regional Manager – Eastern Victoria

Tedd Fuell
Quality, Regulatory & Risk Manager

Pierre Abou Haila
Chief Information Officer

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

Malik Jainudeen
Chief Financial Officer & Company Secretary

Jan Lagerwij
International Business Development Manager

Professor Michelle Lane
Director of Research & Development

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

Peggy North
Chief People & Culture Officer

Tom Sexton
General Manager – Queensland

Clementina Singh
General Manager – New South Wales

Jonathan Whitty
Regional Manager – Western Victoria

Directors' Report
For The Year Ended 30 June 2019

The Directors present their report together with the consolidated financial report of Monash IVF Group Limited ('the Group'), being the Company (Monash IVF Group Limited), its subsidiaries, and the Group's interest in associated entities as at and for the year ended 30 June 2019, and the auditor's report thereon.

Directors

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

Directors
Mr Richard Davis
Ms Christina Boyce
Mr Neil Broekhuizen
Mr Josef Czyzewski
Dr Richard Henshaw
Ms Zita Peach
Mr Michael Knaap (appointed CEO & Managing Director on 15 April 2019)
Mr David Morris (resigned effective 9 October 2018)

Mr. Michael Knaap was acting CEO from 9 October 2018 to 15 April 2019. Information on the Directors' and Company Secretary's experience is outlined on page 32 and 33. Information on the Directors' responsibilities is outlined in the Corporate Governance Statement.

Principle activity

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

Operational and Financial Review

The Group reported a decline of 7.0% in statutory profit after tax (NPAT) and before non-controlling interests to $19.9m (FY18: $21.4m) whilst Group revenues increased by 0.9% to $152.0M (FY18: $150.6m) for the year ended 30 June 2019 (FY19). NPAT, before one-off non-recurring items related to the Mosman clinic closure and CEO separation costs[6], declined by 2.3% to $20.9m compared to pcp.

$m	FY19	FY18	% Change
Group Revenue	$152.0	$150.6	0.9%
EBITDA(1)(2)	$37.2	$38.1	(2.3%)
EBITDA(1)(2) before one-off items(5)	$37.8	$38.1	(0.8%)
EBIT	$31.3	$33.2	(5.6%)
NPAT attributable to ordinary shareholders	$19.9	$21.4	(7.0%)
NPAT before one-off items(6)	$20.9	$21.4	(2.3%)
EPS (cents)	8.4	9.1	(7.7%)
DPS (cents)	6.0	6.0	-
	30 Jun 19	30 Jun 18	
Net Debt (m)	$84.7	$94.1	
Net Debt to Equity ratio (3)	48.8%	56.4%	
Return on Equity (pa.) (4)	12.0%	12.8%	

1) EBITDA is earnings before interest, tax, depreciation and amortisation.
2) EBITDA is a non IFRS measure which is used by the Group as a key indicator of underlying performance. This and any other non IFRS measure is not subject to audit or review.
3) Net Debt to Equity is calculated using Net Debt divided by equity as at 30 June 2019.
4) Return on Equity is calculated using NPAT for the previous 12 month period divided by the average equity in the same period.
5) EBITDA adjusted for one-off items including Mosman clinic closure make-good provision ($100k pre-tax) and CEO separation costs ($473k pre-tax)
6) NPAT attributable to ordinary shareholders adjusted for one-off items including Mosman clinic closure accelerated depreciation ($882k pre-tax), make-good provision $100k pre-tax) and CEO separation costs ($473k pre-tax)

FY19 Summary:

- Return to earnings growth in 2H19 with NPAT up by 9.5% on pcp with FY19 NPAT down 2.3% on pcp before one-off non-recurring items[1]
- MVF Australian Full Service Stimulated Cycles grew by 3.7% driven by 11.3% growth achieved in SA, NSW and QLD (excluding impact from departed specialist)
- Overall ARS Stimulated Cycle market grew by 6.4% on pcp, above the long-term expected growth rate of 2%
- MVF ARS International growth continued as Stimulated Cycles grew by 21.8% on pcp
- World-first scientific breakthrough achieved in commercialisation of non-invasive genetic screening technology
- Strong pre-tax conversion of EBITDA to operating cash flows of 107.1%, strengthening the Balance Sheet for future growth
- Long-term funding secured as Syndicated Debt Facility is extended to January 2022
- Full year fully franked dividends consistent with pcp with declaration of a 3 cents per share final FY19 fully franked dividend
- Vision 2022 strategic roadmap developed, re-confirming our best-in-class Full Service positioning focused on growth

Strategic Pillars

During the year, there has been strong progression in on our strategic pillars, which have delivered earnings growth during 2H19. An update and execution of several operational improvements detailed below:

Scientific Leadership

- NIPGT internally developed, tested, patented and now commercially available across all MVF owned clinics
- Trial commenced on an alternative method and technology for ICSI which is expected to improve egg fertilisation rates
- Progressed collaborative partnership on development of a sperm selection device
- Creation of the Group Scientific Advisory Committee is fast tracking greater collaboration and standardisation of scientific practices and protocols which is promoting the "Monash Way"
- All scientific innovation, investment, collaboration and standardisation is geared towards better patient outcomes

Patient Experience

- Continued emphasis on enhancing the patient journey with a focus on care, empathy, support and consistency across all patient engagement
- Utilisation of Net Promoter System (NPS) has resulted in an improved patient experience with a NPS improvement of 16% in the twelve months to 30 June 2019
- Expansion of patient funding options including introduction of ZIP Money and gap only payments

Strategic Pillars (continued)

Digital & System Transformation

- Continued development of our in-house patient management system with a focus on improving interaction with patients, scientific equipment and user experience
- Progress and focus on strengthening our cyber security risk profile across our Network
- System and network upgrades enabling increased efficiency, reliability, stability and security throughout our vast clinic network

Brand & Marketing

- Building Monash IVF brand awareness and confidence as the trusted advisor
- Focus on communicating more often and earlier in the fertility journey using low effort, high scale marketing activity. This includes utilisation of brand influencers on social media channels and early funnel activity such as our Ready Set Baby program
- Regular patient seminars growing awareness and access to Monash IVF specialists, nurses and scientists for potential patients

Strategic Pillars (continued)

Doctor Partnerships

- Engagement with fertility specialists continues and remains a critical focus including regular Doctor Forums, co-funded marketing initiatives, increasing consultation locations and research opportunities
- Nine new fertility specialists recruited providing future growth capacity and succession planning. Recruitment of additional fertility specialists remains a focus across all markets
- Seven new fertility specialists recruited in FY18 have contributed to strong growth and succession planning achieved in SA and NSW
- More than 95% of specialists are contracted to Monash IVF Group after five Victorian based fertility specialists, who were not subject to restraint and non-compete provisions, exited the Group (refer to ASX announcement on 22 August 2019)

Clinical Excellence

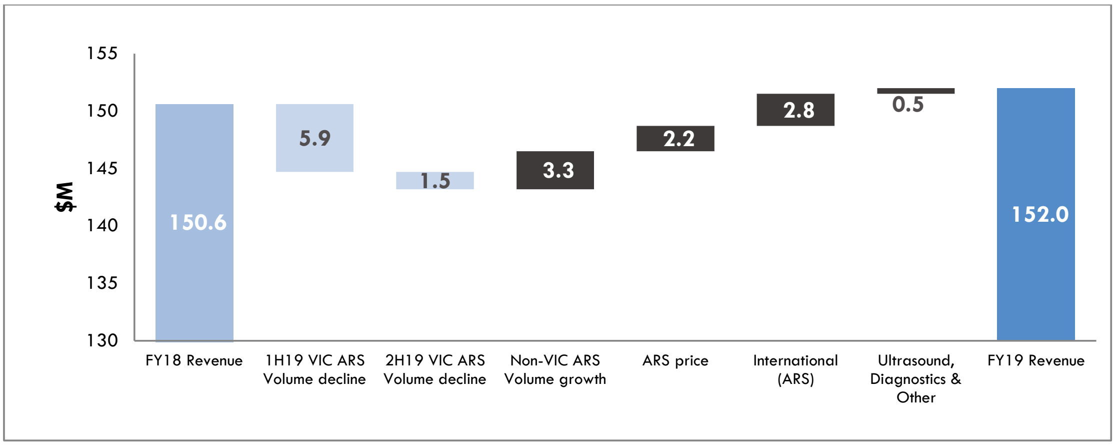
- New Penrith clinic is opening in September 2019 expanding presence in NSW in the Greater Western region. We have additional consultation locations including Melbourne CBD, Brisbane CBD and Regional Victoria (Ballarat)
- New clinic in Sydney CBD planned to open in 4Q20 as a Sydney flagship clinic representing best practice patient experience and clinical excellence
- Growth and expansion of donor and surrogacy offering including increased supply through international partnerships and locally sourced donors

People Engagement

- Engagement with employees has improved through our Principles and Beliefs, focus on improving patient experience, leadership training programs and improvement programs from our People feedback
- Creation of our shared Principles and Beliefs (Care, Collaborate, Communicate, Commitment, Create) that unite all employees and guides us in our actions
- Development and rollout of scientific learning & development framework which is critical to implementing the "Monash Way" across the Group

Revenue

Group revenues increased by $1.3m or 0.9% to $152.0 compared to pcp. A summary of the increase in revenues is detailed in the waterfall chart below:



The following details key movements in revenue:

- **VIC ARS Volume decline:** Volume decline impact in 2H19 reduced to $1.5m after a $5.9m volume decline impact in 1H19 from departure of a specialist in September 2017
- **Non-VIC ARS Volume growth:** $3.3m revenue increase from Stimulated Cycle growth in NSW, QLD and SA, reflecting **11.3% Stimulated Cycle growth** in these markets combined
- **ARS price:** $2.2m revenue increase from price increases of between 2% and 3% across all ARS service offerings
- **International (ARS):** $2.8m revenue increase from our Malaysian clinic as Stimulated Cycles increased by 21.8% on pcp
- **Ultrasound, Diagnostics & Other:** $0.5m revenue increase derived from increased Day Surgery income at the Adelaide day surgery unit in line with fertility activity growth experienced in the SA market

Patient Treatments

IVF Treatment numbers	FY19	FY18	% Change
Monash IVF Group – Australia			
Stimulated cycles	7,607	7,844	(3.0%)
Cancelled cycles	732	796	(8.0%)
Frozen embryo transfers	5,584	5,913	(5.6%)
Total IVF Patient Treatments	13,923	14,553	(4.3%)
Monash IVF Group – International			
Stimulated cycles	1,034	849	21.8%
Cancelled cycles	67	67	-%
Frozen embryo transfers	1,021	756	35.1%
Total IVF Patient Treatments	2,122	1,672	26.9%
Total Monash Group			
Stimulated cycles	8,641	8,693	(0.6%)
Cancelled cycles	799	863	(7.4%)
Frozen embryo transfers	6,605	6,669	(1.0%)
Total IVF Patient Treatments	16,045	16,225	(1.1%)
Stimulated cycles as a % of Total Patient Treatments	53.9%	53.6%	
Other Treatment numbers	FY19	FY18	% Change
Ultrasound Scans	80,860	80,392	0.6%
Pre-implantation Genetic Screening/Diagnosis	1,395	1,498	(6.9%)
Non Invasive Prenatal Testing (NIPT)	13,108	13,017	0.7%

The Group's Stimulated Cycles declined by 0.6% compared to pcp whilst Frozen Embryo Transfers declined by 1.0%.

Australian Stimulated Cycles declined by 3.0% compared to pcp. SA, QLD and NSW delivered strong growth in 1H19 and continued this momentum into 2H19, however this was offset by the loss of activity from the departure of a specialist in Victoria during FY18. Excluding the impact from a departed specialist, Full Service Stimulated Cycles increased by 3.7% compared to pcp. Australian Frozen Embryo Transfers declined by 5.6%, a greater rate than Stimulated Cycles due to the impact from Stimulated Cycle declines in pcp. Cancelled cycles have declined at a greater rate than Stimulated Cycles as a result of more effective scientific protocol.

International Stimulated Cycles increased by 21.8% due to increased demand following the introduction of a new Fertility Specialist and increased capacity from the relocation to Damansara Mall Clinic.

Pre-implantation Genetic Screening/Diagnosis (PGS/D) has declined by 6.9% due primarily to the decline in Australian Stimulated Cycles.

Ultrasound scan volumes increased by 0.6% to 80,860 driven by ultrasound services commencing during FY18 in Dulwich, SA and Gold Coast, QLD. Sydney Ultrasound for Women scans declined by 3.9% due to greater competitive pressure in NSW and lower obstetric private practice referral activity which is in part due to a shift in volumes to the public sector. The non-invasive prenatal testing (NIPT) volumes continue to grow after replacing the previously outsourced service.

Expenditure before interest and tax

The table below provides a summary of FY19 Expenditure before interest and tax compared to FY18:

	FY19 $m	FY18 $m	% Change
Employee expenses	48.1	47.9	0.4%
Clinician fees	25.8	26.1	(1.3%)
Raw materials and consumables used	15.5	14.5	7.1%
Marketing and advertising expense	5.0	4.0	23.7%
IT and communications expense	2.9	2.6	13.9%
Property expenses	9.7	9.3	5.0%
Professional and other fees	3.0	3.3	(5.2%)
Other costs	4.0	4.9	(17.8%)
Mosman clinic closure and CEO separation costs	1.5	-	100%
Total operating expenditure	115.5	112.5	2.7%
% of Group revenues	76.1	74.7%	
Depreciation and amortisation	5.0	5.0	-%
Total expenditure before interest and tax	119.0	117.5	1.5%
% of Group revenues	78.5%	78.0%	

Total operating expenditure before one-off non-recurring costs (Mosman clinic closure and CEO separation costs) increased by $1.5m or 1.5%. The following details key expenditure movements in FY19 against FY18:

- **Employee expense** increased by $0.2m or 0.4%. The increase is due to prescribed increases in enterprise agreements for nursing and science, partly offset from head count reduction to re-align the Victorian workforce from volume declines;
- **Clinician fees** are lower than pcp reflecting lower volumes in Australian Stimulated Cycles. Clinician fees across the majority of the Group are variable to Fertility and Ultrasound activity except for certain jurisdictions whereby remuneration is fixed via salary arrangements and theatre sessional fees which have not declined at the same rate as revenue;
- **Raw material and consumables** increased by $1.0m or 7.1%. The increase is primarily due to an increase in day surgery activity and drug income in South Australia and Malaysia from higher Stimulated Cycles in these markets. In addition, donor related activity increased resulting in higher donor sperm expenditure;
- **IT and communication expense** increased by $0.3m or 13.9% due to an increase in maintenance expenditure to support existing IT infrastructure and networks;
- **Property expenses** increased by $0.6m or 5.0% which is primarily due to annual rental increases across the clinic network, higher rent expense at the Kuala Lumpur clinic and new Sydney CBD ultrasound clinic, partly offset by the closure of the Mosman, NSW clinic in November 2018;
- **Marketing and advertising expense** increased by $1.0m or 23.7% as greater investment was made in targeted marketing activities, including radio, digital and direct inbound enquiry activity;
- **Other costs** decreased by $0.9m or 17.8% due to general cost base reductions including lower equipment maintenance costs and closure of the Mosman, NSW clinic;
- **Mosman clinic closure and CEO separation costs** include $1.0m of accelerated depreciation on leasehold assets retired and make-good at the Mosman clinic which closed in November 2018;
- **Depreciation and amortisation** is consistent with pcp.

Expenditure before interest and tax (continued)

Net interest expense

Net finance cost is $3.8m or $0.3m higher than pcp due to a moderate increase in debt margin based on the Net Leverage Ratio and re-finance in December 2018.

Taxation

The effective tax rate for FY19 is 27.9% (FY18: 28.5%). The reduction in the effective tax rate is primarily due to an increase in Malaysian derived income, of which is taxed at 24% compared to the Australian tax rate of 30%.

Segment analysis

	Australia			International		
$m	FY19	FY18	% change	FY19	FY18	% change
Revenue	140.38	141.87	(1.1%)	11.60	8.77	32.3%
EBITDA[1][2] before one-off items[3]	32.52	34.34	(5.3%)	5.29	3.77	40.5%
NPAT	16.00	18.54	(13.7%)	3.81	2.64	44.4%

[1] EBITDA is earnings before interest, tax, depreciation and amortisation.
[2] EBITDA is a non IFRS measure which is used by the Group as a key indicator of underlying performance. This and any other non IFRS measure is not subject to audit or review.
[3] NPAT attributable to ordinary shareholders adjusted for one-off items including Mosman clinic closure accelerated depreciation ($882k pre-tax), make-good provision ($100k pre-tax) and CEO separation costs ($473k pre-tax)

Australia

Australian revenues declined by $1.5m (-1.1%) compared to pcp. SA, QLD and NSW delivered strong growth in 1H19 and continued this momentum into 2H19, however this was offset by the loss of activity from the departure of a specialist in Victoria during FY18. In addition, revenue increased due to price increases across all services, and higher day surgery income from the sole day surgery service in SA.

Australian underlying EBITDA (which excludes one-off non-recurring items) declined by $1.8m (-5.2%) to $32.5m with EBITDA margin declining by 1.2% to 23.1%. As compared to 2H18 (1 January to 30 June 2018), EBITDA margins have improved from 21.9% to 23.1%, reflecting volume increases outside of Victoria and cost effective management whilst investing in demand driven marketing and strategic pillars.

International

The International segment continues to demonstrate strong growth supported by the move to the new Kuala Lumpur premises' in late 2017 and a new fertility specialist who commenced in 2H18 providing greater capacity to meet demand. International revenues increased by $2.8m (32.3%) to $11.6m vs pcp driven by Stimulated Cycle growth of 21.8% to 1,034 whilst frozen embryo transfers increased by 35.1% to 1,021.

International EBITDA increased by 40.5% to $5.3m as a result of volume growth and EBITDA margin improved by 2.6% to 45.9% as incremental volumes leverage the cost base.

Statement of Financial Position and Capital Metrics

Balance Sheet ($m)	Jun 19 $m	Jun 18 $m	% change
Cash and cash equivalents	4.3	3.9	11.1%
Other current assets	11.2	12.9	(12.6%)
Current liabilities	(24.2)	(22.0)	10.2%
Net working capital	(8.7)	(5.2)	(65.3%)
Borrowings	(89.0)	(98.0)	(9.2%)
Goodwill & Intangibles	257.1	256.1	0.4%
Plant & Equipment	16.5	16.9	(2.4%)
Other assets/liabilities	(2.5)	(2.9)	(13.8%)
Net assets	**173.4**	**166.9**	**3.9%**
Capital Metrics	Jun 19	Jun 18	+/-
Net Debt ($m)	**84.7**	**94.1**	**(9.4)**
Leverage Ratio (Net Debt / EBITDA)	2.24x	2.46x	(0.22x)
Interest Cover (EBITDA / Interest)	10.6	11.1	(0.50x)
Net Debt to Equity Ratio	48.8%	56.4%	(7.6%)
Return on Equity	12.0%	12.8%	(0.8%)
Return on Assets	7.2%	7.3%	(0.1%)

The Group's balance sheet is stronger with net debt to equity improving from 56.4% to 48.8% during FY19. Net debt decreased by $9.4m to $84.7m due primarily to strong pre-tax operating cash flows of $39.9m, partly offset by tax, capex and interest payments during the year.

On 21 December 2018, the Group extended the maturity date of its existing $110m Syndicated Debt Facility and $5m working capital facility to January 2022. In addition the $40m Accordion Facility remains in place for permitted acquisitions and capital expenditure. As at 30 June 2019, the debt balance is $89m.

The Group has sufficient headroom in banking covenant ratios including leverage ratio of 2.24x (<3.50) and interest cover ratio of 10.6x (>3.0).

Statement of Cash Flows

	FY19 $m	FY18 $m	Change%
Net operating cash flow (pre-tax)	**39.9**	**35.5**	**12.3%**
Net operating cash flow (post-tax)	**33.1**	**25.9**	**27.7%**
Cash flow from investing activities	(6.5)	(6.6)	(0.3%)
Free cash flow[1]	**26.6**	**19.3**	**37.2%**
Cash flow from financing activities	(26.1)	(19.3)	35.6%
Net cash flow movement	0.5	0.1	
Closing cash balance	**4.3**	**3.9**	**11.8%**

(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:

- Net operating cash flows increased by 27.7% to $33.1m;
- Pre-tax conversion of EBITDA to operating cash flows improved to 107.1% compared to 93.3% in pcp;
- Investing activities remained consistent with pcp with capital expenditure on continued IT infrastructure improvements including enhancements to patient management systems, new and re-furbished facilities including the new Sydney CBD ultrasound clinic and regular asset replacements;
- Financing activities include $13.1m fully franked dividends and $9.0 net debt repayments paid during the year;
- Free cash flow increased by $7.3m or 37.2% due to higher operating cash generation.

Dividends

On 26 August 2019, the Board declared a fully franked FY19 final dividend of 3.0 cents per share bringing total dividends for FY19 to 6.0 cents per share which is consistent with prior year. The record date for the dividend is 6 September 2019 and the payment date for the dividend is 11 October 2019.

Outlook

As a result of momentum gained in 2H19, we are well positioned to optimise future earnings, as we progress our strategic initiatives. The key initiatives include:

- Clear strategy to grow our full service business through enhancing our best-in-class patient experience and scientific leadership, whilst ensuring our People are engaged and share common principles and beliefs
- Recruitment of new fertility specialists and continuing to engage and grow our existing fertility specialists
- Expansion of our footprint through new clinics and the recent Fertility Solutions acquisition
- Asia Pacific expansion strategy through acquisition and partnerships
- Continue our cost management initiatives including productivity measures and efficiency projects

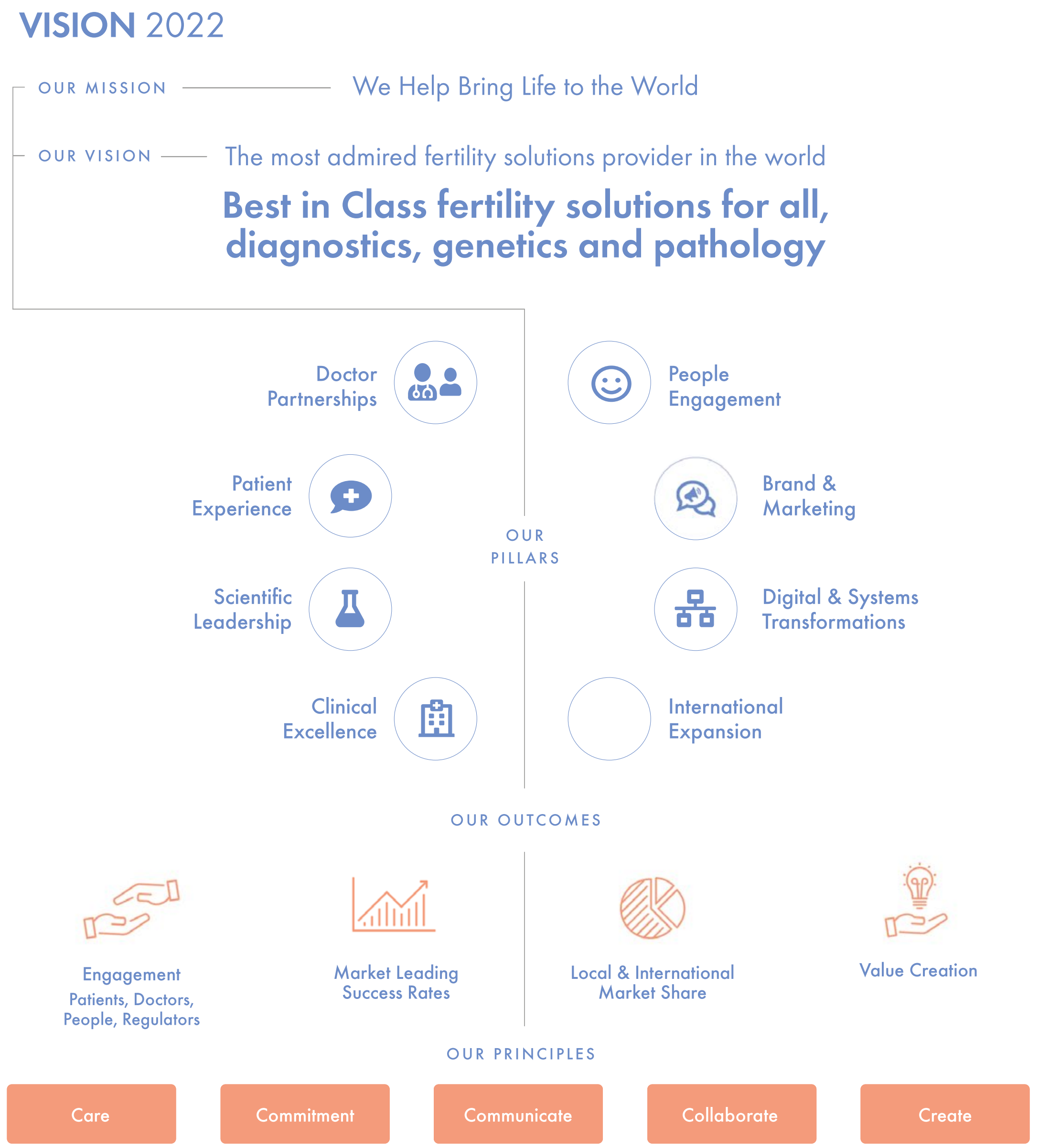
In addition, strong underlying demand fundamentals for assisted reproductive services remains domestically and abroad.

The exit of five Victorian based fertility specialists may have an impact on FY20 net profit after tax (on a variable contribution basis) of approximately $1.5m to $2.5m, however we are working on strategies to minimise the financial impact.

We will provide a further update on FY20 performance at our Annual General Meeting in November 2019.

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 delivering a patient experience across the continuum of care that is empathetic, empowering and personalised to all patients consistent with our best in class offering.

Doctor partnership - We will develop mutually beneficial long term partnerships with our doctors that benefits our patients and enables growth.

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

Clinical excellence - Establish excellence in clinical care across the fertility, donor and surrogacy and pregnancy journey through high quality, fit-for-purpose clinical services and infrastructure.

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

Brand & marketing - Communicate our 'brand value proposition' through new and targeted go to market strategies, including early education, digital, sponsorship and events.

Digital & systems transformation - Build a scalable, robust and secure next generation IT service offering, enhancing interactions with our patients, doctors and people.

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.

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.

Business risks (continued)

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

Relationships with staff in key roles, including clinicians

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

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

Change in Government funding arrangements for Assisted Reproductive Services

There is a risk that the Commonwealth Government will change the funding (including levels, conditions or eligibility requirements) it provides for Assisted Reproductive Services (ARS). 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 government provided ARS services may reduce the Group's market share however it is expected to primarily impact low cost service providers.

The Group continues to strategically position the ARS service as a specialised premium offering as a point of differentiation against low cost competitors as outlined in the Business Strategies and Prospects for Future Financial Years sections in the Director's Report on pages 29-31. 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.

Information on directors

Director	Experience
Mr Richard Davis Independent Chairman Member of Audit & Risk Management Committee Member of Remuneration & Nomination Committee	Mr. Richard Davis joined the Group in June 2014 and is currently serving as a non-executive director of ASX listed companies, InvoCare Limited and Australian Vintage Limited (and Chairman of Australian Vintage). Richard worked for InvoCare for 20 years until 2008. For the majority of that time he held the position of CEO and managed the growth of that business through a number of ownership changes and over 20 acquisitions, including offshore in Singapore. Prior to InvoCare Limited, Richard worked in venture capital and as an accounting partner of Bird Cameron. Richard holds a Bachelor of Economics from the University of Sydney.
Mr Josef Czyzewski Independent Non-executive Director Chair of Audit & Risk Management Committee Member of Remuneration & Nomination Committee	Mr. Josef Czyzewski joined the Group in June 2014 and has over 30 years of experience in senior finance positions and significant experience in the health industry. Josef has held the positions of CFO at Healthscope Limited, and more recently CFO/General Manager Strategy and Development at Spotless Group Limited following its takeover by private equity interests in 2012. Prior to that time, Josef had held various senior finance positions with BHP Billiton including VP Finance and Corporate Treasurer. He holds a Bachelor of Commerce from the University of Newcastle and is a Graduate Member of the Australian Institute of Company Directors.
Ms Christina ('Christy') Boyce Independent Non-executive Director Chair of Remuneration & Nomination Committee Member of Audit & Risk Management Committee	Ms Christy Boyce joined the Group in June 2014. Christy is also a director of Port Jackson Partners. 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 25 years of private equity experience with Investcorp and Bridgepoint in Europe and Ironbridge in Australia. Neil is currently also a director of Bravura Solutions Limited and PKS Holdings Ltd. Neil is qualified as a Chartered Accountant and holds a BSC (Eng) Honours degree from Imperial College, University of London.

Director	Experience
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.
Dr Richard Henshaw Executive Director	Dr Richard Henshaw MD FRANZCOG FRCOG has practiced in the field of reproductive medicine since 1995. Richard works as a Fertility Specialist for the Group. Richard has served on many national bodies, including RANZCOG Council, the IVF Medical Directors group of Australia and New Zealand, and the Reproductive Technology Accreditation Committee.

Company Secretary

Mr 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 9 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)	12	12
Mr Josef Czyzewski	12	12
Ms Christy Boyce	12	12
Ms Zita Peach	12	12
Mr Neil Broekhuizen	12	12
Dr Richard Henshaw	11	12
Mr. Michael Knaap[1]	3	3
Mr David Morris	4	4

[1] Mr. Michael Knaap was appointed Managing Director on 15 April 2019

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

Committee meetings

	ARC		REM	
Member	Attended	Held	Attended	Held
Mr Richard Davis	4	4	5	5
Mr Josef Czyzewski (ARC Chair)	4	4	5	5
Ms Christy Boyce (REM Chair)	4	4	5	5
Ms Zita Peach	n/a	n/a	5	5
Mr Neil Broekhuizen	3	4	n/a	n/a

The Company's Directors present the 2019 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 2019 ("FY19"). The information provided in this Remuneration Report has been audited by KPMG as required by Section 308(3C) of the *Corporations Act 2001*. The Remuneration Report forms part of the Directors' Report.

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

Introduction

Monash IVF Group has continued the alignment of the Remuneration Framework to enable the organisation to attract and retain the appropriately qualified personnel, including Directors, Executive Management and specialised personnel. The remuneration framework continues to be focused on driving a performance culture by linking Executive Remuneration to strategic objectives both financial and non-financial. The structure of remuneration, particularly at Senior Executive level, is a key component in driving positive performance improvement in scientific leadership, clinical excellence, patient experience and people engagement as well as growth both domestically and internationally.

Executive Remuneration in FY19 remains at levels which are competitive with Executives in comparable companies and roles. Fixed remuneration continues to sit at or below the industry benchmark; a higher proportion of remuneration is at risk relative to industry peers. The Board varies rewards in accordance with short and long term financial performance.

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

KMP Changes in FY19

Following the resignation of Mr David Morris as Chief Executive Officer and Managing Director in October 2018, Mr Michael Knaap was appointed interim Chief Executive Officer following his tenure as Monash IVF's Chief Financial Officer and Company Secretary since August 2015. In April 2019, Mr. Knaap was appointed Chief Executive Officer and Managing Director.

Following Mr Knaap's appointment, Mr Malik Jainudeen was appointed interim Chief Financial Officer in October 2018 and formally appointed Chief Financial Officer and Company Secretary in April 2019.

1.0 Remuneration Snapshot

1.1 Remuneration Governance

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

The Committee is composed of four independent Directors and is chaired by Ms Christina Boyce. Ms Boyce was appointed Chair of the Remuneration and Nomination Committee on 4 June 2014. Mr Davis and Mr Czyzewski were appointed on 4 June 2014 and Ms Peach was appointed on 16 December 2016.

During FY19, the Remuneration and Nomination Committee met five times with full attendance by all members. In addition to reviewing and refining the remuneration framework, the Remuneration and Nomination Committee also undertook a review of the executive and non executive skills assessment model and reviewed the succession plans for both non-executive and executive structures to ensure continued alignment with the Company's long term strategic goals.

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 FY19.

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

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

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

- Remuneration relative to industry benchmarks
- Superannuation arrangements for directors, senior executives and other employees
- Achievement of performance requirements for the payment of Incentives
- Diversity and pay equity.
- Succession planning for Senior Executives, Executive Directors and Non-Executive Directors
- Selection, appointment and induction of Directors and Executives
- Alignment of the company's remuneration and incentive policies, practices and performance indicators to the Vision, Principles and overall business objectives

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 2019. 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 senior management, employees and contractors who have the ability to impact overall organisation performance to best align incentives.
- Support the business strategy
- Reinforce Vision, Mission, and Principles 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. • Considering labour market conditions as well as scale of the Company and size of the role.
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 rewards the creation of sustainable shareholder wealth.

The Group's remuneration framework for FY19 for the CEO, CFO and COO has three components, two of which vary with performance. TFR levels sit at or below median for similar organisations. A higher proportion of remuneration is at risk relative to peers. The remuneration structure aligns the remuneration opportunity with the level of position accountability.

The diagram below summarises the framework for FY19. The framework continues to be reviewed each year.

Executive Remuneration Framework

Total Fixed Remuneration (TFR)

Comprises:

- Base salary
- Salary sacrifice items
- Employer superannuation contributions in line with statutory regulations

TFR is determined on the basis of market rates, 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.

At Risk Remuneration

Short Term Incentive (STI)

- EBITDA/Specific Business Unit EBITDA (70%)
- Non-financial measures linked to key strategic initiatives built around a balanced scorecard (30%) focused on scientific leadership, patient engagement, employee engagement clinician engagement and market share.

Long Term Incentive Plan (LTI)

- EPS hurdles based on predefined growth rates over a 3 year period
- TSR hurdles based on Group's relative TSR performance against ASX300 Healthcare Index

Comprise share rights which vest in accordance with 3 year EPS growth and relative TSR above threshold performance requirement.

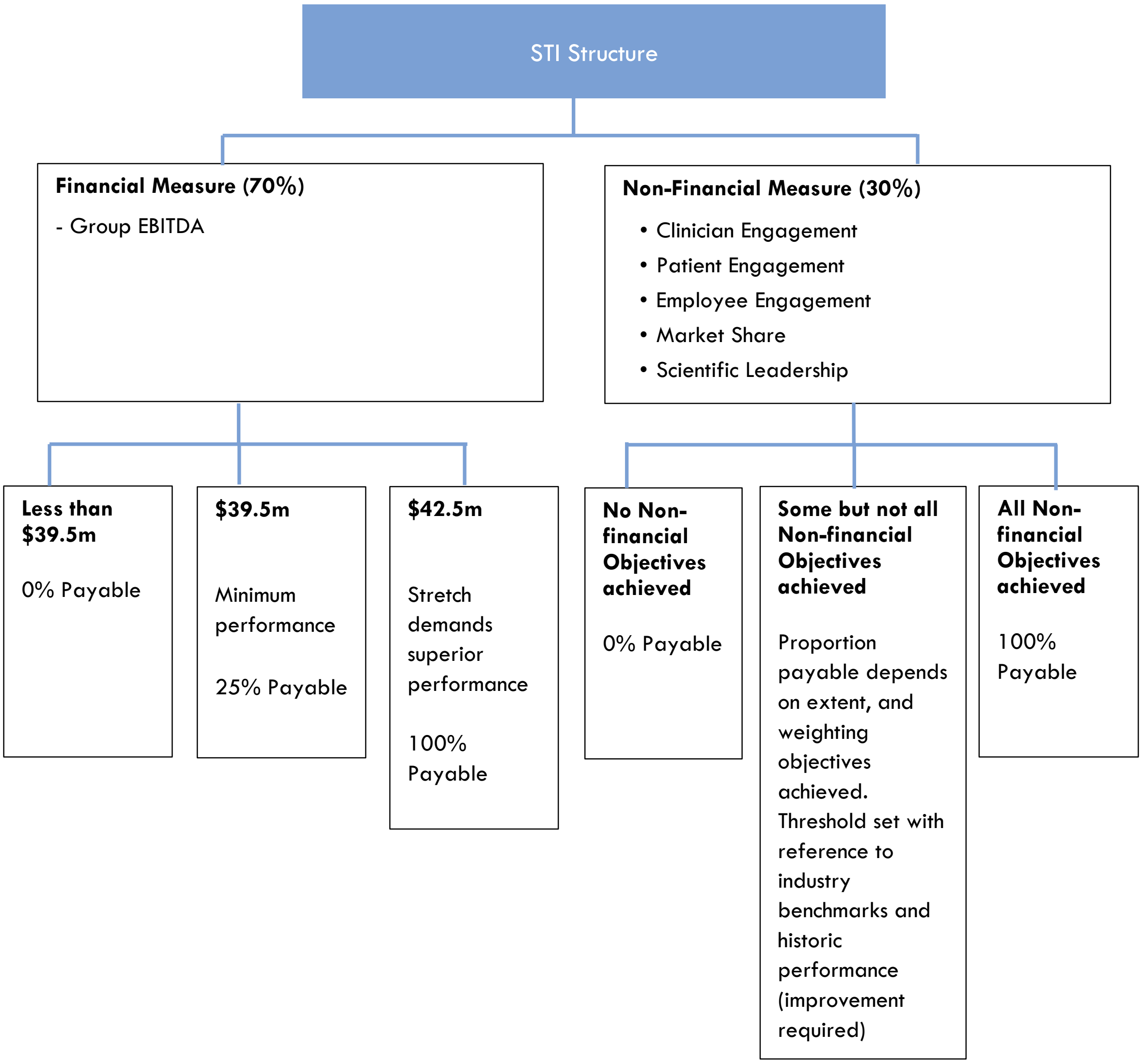
Total fixed remuneration (TFR) consists of base remuneration (which is calculated on a total cost basis) as well as non-monetary benefits and superannuation.

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 $375M - $750M).

Short-term incentives

Overview of FY19 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 STI structure was revised in FY19. The proportion for the financial measure was increased from 60% to 70% of the total available. At the same time, the financial gateway was removed from the non-financial component of the STI opportunity. These changes were made to ensure that the management team had a clear incentive to pursue investments in critical outcomes for the business that would deliver longer term financial benefits and that they were rewarded for quantified improvements in these metrics.

The financial measure within the STI Plan is Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA is compared to target 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. The financial measure is set at a threshold of $39.5m. Stretch EBITDA performance was set at $42.5m, at which the entire amount allocated for financial measure is payable. Achievement between these two levels of performance results in a pro-rata payment of STI.

The non-financial measures defined for KMP (including the CEO) include Market Share, Employee Engagement, Clinician Engagement, Customer Service Engagement and Scientific Leadership. The quantified threshold for each metric was set to require an improvement over historic performance and the stretch targets required substantial improvements in outcomes.

Long-term incentive plan

Executive KMP including CEO, CFO & COO are eligible to receive a 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 Directors will grant awards in the name of the eligible person. Awards may not be transferred, assigned or otherwise dealt with except with the approval of the Directors.
- Awards will only vest where the conditions advised to the participant by the Directors have been satisfied. An unvested award will lapse in a number of circumstances, including where conditions are not satisfied within the relevant time period, or in the opinion of the Directors, a participant has committed an act of fraud or misconduct or gross dereliction of duty. If a participant's engagement with the Company (or one of its subsidiaries) terminates before an award has vested, the Directors may determine the extent to which the unvested awards that have not lapsed will become vested awards or, if the award offer does not so provide and the Board does not decide otherwise, the unvested awards will automatically lapse.
- Awards are subject to malus and clawback conditions whereby the Board may, in its discretion, and subject to applicable laws, determine the performance rights or shares already allocated following the vesting or exercise of a performance right are forfeited, recovered or the conditions modified. The Board's decision in regards to unfair benefits obtained by the participant is final and binding.
- Where there is a takeover bid or a scheme of arrangement proposed in relation to the Company, the Directors may determine that the participant's unvested awards will become vested awards. In such circumstances, the Directors shall promptly notify each participant in writing that the awards have become vested awards, or that he or she may, within the time period specified in the notice and where applicable in accordance with the class or category of award, exercise such vested awards. A participant is not entitled to participate, in their capacity as holder of awards, in any new issue of shares in the Company, nor in any return of capital, buyback or other distribution or payment to shareholders, unless the Board determines otherwise. In the event of a bonus issue or rights issue, the rights of the award will be altered in a manner (if any) determined by the Board, consistent with the ASX Listing Rules.
- In the event of any reorganisation of the issued ordinary capital of the Company before the exercise of an award, the number of shares attached to each award will be reorganised in the manner specified in the LTI plan and in accordance with the ASX Listing Rules or, if the manner is not specified, the Board will determine the reorganisation. In any event, the reorganisation will not result in any additional benefits being conferred on participants which are not conferred on shareholders of the Company.
- Participants who hold an award issued pursuant to the LTI plan have no rights to vote any shares under the LTI award at meetings of the Company until that award has vested (and is exercised, if applicable) and the participant is the holder of a valid share in the Company. Shares acquired upon vesting of the award will, upon issue, rank equally in all respects with other shares.
- No award or share may be offered under the LTI plan if to do so would contravene the Corporations Act, the ASX Listing Rules or instruments of relief issued by ASIC from time to time.

Senior Executive LTI

Overview of FY19 Senior Executive LTI:

Performance Rights Granted

EPS Compound Annual Growth Rate
("EPS Hurdle")
70% 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% growth per annum over the three year period

Relative Total Shareholder Return
("TSR Hurdle")
30% 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

Senior Executive LTI – FY19

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 FY19, 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. Given the desire to focus on financial outcomes and the challenges associated with identifying an appropriate proxy for the relative TSR measure, the EPS hurdle was weighted 70% and the TSR was weighted 30%. The allocation of performance rights to Mr. Knaap reflects his position as CFO at the commencement of the performance period. The FY19 LTI does not reflect his appointment to the CEO position as this occurred part way through the year.

Details of performance rights granted to Senior Executives during FY19 are set out in the following table:

Name	Hurdle	Weighting	Performance Rights Granted
Mr. Michael Knaap (CEO)	EPS	70%	57,145
	TSR	30%	24,491
Mr. Brett Comer (COO)	EPS	70%	51,426
	TSR	30%	22,040

The performance periods and vesting schedules for the performance rights granted in FY19 are as follows:

Performance Measure	Performance Period
Earnings Per Share	1 July 2018 to 30 June 2021
Relative TSR	11 days after FY18 results announcement to 11 days after FY21 results announcement

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.

Senior Executive LTI Grant: FY16 – FY18 Update

- The outstanding balance of 35,072 performance rights issued in FY16 lapsed during the period as TSR performance was less than the ASX300 Healthcare Accumulation Index, measured from the 11th trading after FY15 results announced on the 11th trading day after FY18 results.
- Performance rights granted to Mr. David Morris in FY18 were forfeited upon his resignation as CEO in October 2018.
- There was no vesting of performance rights issued in FY17 or FY18.

Please refer to the table on page 33 for a schedule of unvested performance rights and the movement during the financial year.

2.2 Non-Executive Director (NED) Remuneration Policy

Under the Constitution, the Directors decide the total amount paid to all Directors as remuneration for their services as Directors. However, under the ASX Listing Rules, the total amount paid to all Directors for their services must not exceed in aggregate in any financial year, the amount fixed by the Company in a general meeting. This amount has been fixed by the Company at $950,000. For the 2019 financial year, the fees payable to the current NEDs are $567,530 in aggregate.

Role	2019 $	2018 $
Base Fees		
Chair	139,050	139,050
Other Non-Executive Directors	86,520	86,520
Additional Fees		
Audit & Risk Committee – Chair	16,480	16,480
Audit & Risk Committee – Member	8,240	8,240
Remuneration & Nomination Committee – Chair	16,480	16,480
Remuneration & Nomination Committee – Member	8,240	8,240

3.0 Executive and Non-Executive Remuneration

3.1 Remuneration Summary

The Executive Remuneration outcomes for FY19 for the CEO and KMP Executives reflect the performance outcomes achieved over the year.

Executive	Component	Commentary
CEO **Michael Knaap** CEO for the period 15 April 2019 to 30 June 2019	TFR	$500,000 per annum.
	STI	The CEO had the opportunity to earn an annual incentive of 60% of his total fixed remuneration package based on meeting certain defined criteria. The FY19 STI criteria were subject to both financial (70%) and non financial (30%) outcomes.
	LTI (Performance Rights)	No performance rights were granted during FY19 to Mr Knaap in his capacity as CEO. See commentary on rights granted in his capacity as CFO below.
	Notice Period	6 Months
	Term of Agreement	No Fixed Term
Interim CEO **Michael Knaap** Interim CEO for the period 9 October 2018 - 14 April 2019	TFR	$388,915 per annum.
	Higher Duties Allowance	A temporary Higher Duties allowance of $96,000 per annum ($35,076 for the relevant period) was paid to Mr Knaap whilst he acted as Interim CEO over the period October 2018 to April 2019.
	STI	The Interim CEO had the opportunity to earn an annual incentive of 55% of his total fixed remuneration package based on meeting certain defined criteria. The FY19 STI criteria were subject to both financial (70%) and non financial (30%) outcomes.

Executive	Component	Commentary
CFO **Michael Knaap** CFO for the period 1 July 2018 - 8 October 2018	TFR	$388,915 per annum.
	STI	The CFO had the opportunity to earn an annual incentive of 30% of his total fixed remuneration package based on meeting certain defined criteria. The FY19 STI criteria were subject to both financial (70%) and non financial (30%) outcomes.
	LTI (Performance Rights)	81,635 performance rights were granted during FY19. 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
CEO **David Morris** CEO for the period 1 July 2018 to 9 October 2018	TFR	$500,000 per annum.
	STI	n/a
	LTI (Performance Rights)	CEO forfeited performance rights due to his resignation.
	Notice Period	n/a
	Term of Agreement	n/a
Executive Director **Dr Richard Henshaw**	TFR	$317,124 per annum. Dr Richard Henshaw was the only doctor during FY2019 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** CFO for the period 15 April 2019 to 30 June 2019	TFR	$300,000 per annum.
	STI	The CFO had the opportunity to earn an annual incentive of 30% of his total fixed remuneration package based on meeting certain defined criteria. The FY19 STI criteria were subject to both financial (70%) and non financial (30%) outcomes.
	LTI (Performance Rights)	No performance rights were granted in FY19
	Notice Period	3 Months
	Term of Agreement	No Fixed Term

Executive	Component	Commentary
Interim CFO **Malik Jainudeen** Interim CFO for the period 9 October 2018 to 14 April 2019	TFR	$198,721 per annum.
	Higher Duties Allowance	A temporary Higher Duties Allowance of $95,097 per annum ($34,747 for the relevant period) was paid to Mr Jainudeen whilst he acted as Interim CFO over the period October 2018 to April 2019.
	STI	The Interim CFO had the opportunity to earn an annual incentive of 30% of his total fixed remuneration package based on meeting certain defined criteria. The FY19 STI criteria were subject to both financial (70%) and non financial (30%) outcomes.
	LTI (Performance Rights)	No performance rights were granted in FY19
	Notice Period	3 Months
	Term of Agreement	No Fixed Term
COO **Brett Comer**	TFR	$350,000 per annum.
	STI	The COO had the opportunity to earn an annual incentive of 30% of his total fixed remuneration package based on meeting certain defined criteria. The FY19 STI criteria were subject to both financial (70%) and non financial (30%) outcomes.
	LTI (Performance Rights)	73,466 performance rights were granted during FY19. 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

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

	Fixed Remuneration (%)	Short Term Incentive (%)	Long Term Incentive (%)
Mr. Michael Knaap [(1)]	54.00	25.25	20.75
Mr. Richard Henshaw	100.00	-	-
Mr. Brett Comer	64.52	19.35	16.13
Mr. Malik Jainudeen [(2)]	70.72	21.22	8.06

[(1)] The proportional weighting of each element of remuneration for Mr. Knaap has been calculated in accordance with the contract terms of positions held during FY19.

[(2)] Mr Malik Jainudeen commenced as interim CFO on 9 October 2018 and is considered Key Management Personnel from that date. The proportional weighting of each element of remuneration has been calculated from 9 October 2018 and in accordance with the contract terms of positions held since that date.

3.2 Details of Remuneration for Key Management Personnel

Key Management Personnel ("KMP")

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

Name	Position	Period Covered Under this Report
Non-Executive Directors		
Mr Richard Davis	Non-Executive Chairman	Full Financial Year
Ms Christina Boyce	Non-Executive Director	Full Financial Year
Mr Josef Czyzewski	Non-Executive Director	Full Financial Year
Mr Neil Broekhuizen	Non-Executive Director	Full Financial Year
Ms Zita Peach	Non-Executive Director	Full Financial Year
Executive Directors		
Mr Michael Knaap	Chief Executive Officer	From 9 October 2018 to 30 June 2019
	Chief Financial Officer	From 1 July 2018 to 8 October 2018
Mr David Morris	Chief Executive Officer	From 1 July 2018 to 9 October 2018
Dr Richard Henshaw	Executive Director	Full Financial Year
Other KMP		
Mr Malik Jainudeen	Chief Financial Officer	From 9 October 2018 to 30 June 2019
Mr Brett Comer	Chief Operations Officer	Full Financial Year

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	**2019**	**142,037**	**-**	**-**	**142,037**	**13,493**	**-**	**-**	**-**	**155,530**
	2018	142,037	-	-	142,037	13,493	-	-	-	155,530
Mr Josef Czyzewski	**2019**	**101,589**	**-**	**-**	**101,589**	**9,651**	**-**	**-**	**-**	**111,240**
	2018	101,589	-	-	101,589	9,651	-	-	-	111,240
Ms Christina Boyce	**2019**	**101,589**	**-**	**-**	**101,589**	**9,651**	**-**	**-**	**-**	**111,240**
	2018	101,589	-	-	101,589	9,651	-	-	-	111,240
Mr Neil Broekhuizen	**2019**	**86,539**	**-**	**-**	**86,539**	**8,221**	**-**	**-**	**-**	**94,760**
	2018	86,539	-	-	86,539	8,221	-	-	-	94,760
Ms Zita Peach	**2019**	**86,539**	**-**	**-**	**86,539**	**8,221**	**-**	**-**	**-**	**94,760**
	2018	86,539	-	-	86,539	8,221	-	-	-	94,760
Total Non-Executive Directors	**2019**	**518,293**	**-**	**-**	**518,293**	**49,237**	**-**	**-**	**-**	**567,530**
	2018	518,293	-	-	518,293	49,237	-	-	-	567,530

		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 $
Executive Directors										
Mr Michael Knaap [(1)]	**2019**	**401,706**	**43,884**	**35,076**[(2)]	**480,666**	**20,531**	**-**	**-**	**18,968**	**520,165**
	2018	350,446	-	50,000	400,446	20,085	-	-	3,577	424,108
Dr Richard Henshaw	**2019**	**292,147**	**-**	**-**	**292,147**	**24,977**	**-**	**-**	**-**	**317,124**
	2018	363,752	-	-	363,752	18,751	-	-	-	382,503
Mr David Morris [(3)]	**2019**	**147,678**	**-**	**-**	**147,678**	**10,066**	**-**	**484,156**	**(27,544)**	**614,356**
	2018	286,125	-	16,504	302,629	10,024	-	-	27,544	340,197
Total Executive Directors	**2019**	**841,531**	**43,884**	**35,076**	**920,491**	**55,574**	**-**	**484,156**	**(8,576)**	**1,451,645**
	2018	1,000,323	-	66,504	1,066,827	48,860	-	-	31,121	1,146,808
Other Key Management Personnel										
Mr Brett Comer [(4)]	**2019**	**317,262**	**22,430**	**-**	**339,692**	**25,000**	**-**	**-**	**12,145**	**376,837**
	2018	44,417	-	-	44,417	4,220	-	-	-	48,637
Mr. Malik Jainudeen [(5)]	**2019**	**157,228**	**12,423**	**34,747**[(6)]	**204,398**	**15,252**	**-**	**-**	**-**	**219,650**
	2018	-	-	-	-	-	-	-	-	-
Total Other Key Management Personnel	**2019**	**474,490**	**34,853**	**34,747**	**544,090**	**40,252**	**-**	**-**	**12,145**	**561,634**
	2018	44,417	-	-	44,417	4,220	-	-	-	48,637
Total KMP Remuneration	**2019**	**1,834,314**	**78,737**	**69,823**	**1,982,874**	**145,063**	**-**	**484,156**	**3,569**	**2,615,662**
	2018	1,563,033	-	66,504	1,629,537	102,317	-	-	31,121	1,762,975

The total for FY18 of $1,762,975 in the table is less than the total for FY18 in the FY18 Remuneration Report of $2,003,292 as it does not include the $240,317 for the former CEO James Thiedeman reported in last year's report.

(1) 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. Total Remuneration for the period Mr. Knaap acted as CEO & Managing Director was $103,792. Total remuneration for the period Mr. Knaap acted as CFO and Interim CEO was $416,373.
(2) Mr Michael Knaap received a Higher Duties Allowance whilst acting as Interim CEO over the period October 2018 to April 2019.
(3) Mr David Morris ceased his employment on 9 October 2018.
(4) Mr Brett Comer commenced his employment on 30 April 2018.
(5) 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.
(6) Mr Malik Jainudeen received a Higher Duties Allowance whilst acting as Interim CFO over the period October 2018 to April 2019

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 18	Balance of Unvested Equity 1 Jul 18	Granted in FY19		Vested in FY19		Lapsed or Forfeited		Balance of Unvested Equity 30 Jun 2019	Share Based Payment Expense FY19	Fair Value per Security
					Number	$	Number	$	Number	$	Number	$	Number	$	$
Mr. Michael Knaap	Rights [2]	TSR	29-Jun-16	12-Sep-18	35,072	45,944		-	-	-	35,072	45,944	-	-	1.31
	Rights[3]	EPS	17-Mar-17	30-Jun-19	19,447	32,865		-	-	-	19,447	32,865	-	-	1.69
	Rights	TSR	17-Mar-17	9-Sep-19	19,447	12,251		-	-	-	-	-	19,447	6,022	0.63
	Rights	EPS	29-Jan-18	30-Jun-20	29,680	35,319		-	-	-	-	-	29,680	(6,089)	1.19
	Rights	TSR	29-Jan-18	4-Sep-20	29,680	14,543		-	-	-	-	-	29,680	5,540	0.49
	Rights	EPS	20-Dec-18	30-Jun-21	-	-	57,145	57,145	-	-	-	-	57,145	11,429	1.00
	Rights	TSR	20-Dec-18	30-Aug-21	-	-	24,490	11,021	-	-	-	-	24,490	2,066	0.45
					133,326	**140,922**	**81,635**	**68,166**	**-**	**-**	**54,519**	**78,809**	**160,442**	**18,968**	
Mr. David Morris [1]	Rights	EPS	29-Jan-18	30-Jun-20	96,026	114,271	-	-	-	-	96,026	114,271	-	(19,702)	1.19
	Rights	TSR	29-Jan-18	4-Sep-20	96,026	47,053	-	-	-	-	96,026	47,053	-	(7,842)	0.49
					192,052	**161,324**	-	-	**-**	**-**	**192,052**	**161,324**	-	**(27,544)**	
Mr. Brett Comer	Rights	EPS	20-Dec-18	30-Jun-20	-	-	51,426	51,426	-	-	-	-	51,426	10,285	1.00
	Rights	TSR	20-Dec-18	30-Aug-21	-	-	22,040	9,918	-	-	-	-	22,040	1,860	0.45
					-	-	**73,466**	**61,344**	**-**	**-**	**-**	**-**	**73,466**	**12,145**	
Total					**325,378**	**302,246**	**155,101**	**129,510**	**-**	**-**	**246,571**	**240,133**	**233,908**	**3,569**	

(1) Mr David Morris tendered his resignation in FY19; therefore forfeits performance rights granted in FY18.
(2) TSR performance was less than the ASX300 Healthcare Accumulation Index, measured from the 11th trading after FY15 results announced to the 11th trading day after FY18 results; therefore these rights lapsed.
(3) EPS vesting conditions for performance rights granted in FY17 were not satisfied therefore these rights lapsed.

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 (2019)			Cash Incentive (2018)		
		% of Available Incentive			% of Available Incentive	
	Payable $	Payable %	Not Payable %	Paid $	Paid %	Not Paid %
Executive Directors						
Mr Michael Knaap	43,884	21.4%	78.6%	$0	0%	100%
Dr Richard Henshaw	-	-	-	-	-	-
Mr David Morris	-	-	-	$0	0%	100%
Other Key Management Personnel						
Mr Malik Jainudeen	12,423	25.0%	75.0%	-	-	-
Mr Brett Comer	22,430	21.4%	78.6%	-	-	-

3.3 Loans to Key Management Personnel

No loans were issued to KMP during 2019.

3.4 Key Management Personnel Shareholdings

The following details Monash IVF Group ordinary shares held by Directors and KMP during 2019:

Name	Balance at start of year	Granted as remuneration	Net Change	Balance at end of year
Non-Executive Directors				
Mr Richard Davis	27,026	-	25,773	52,799
Mr Josef Czyzewski	122,027	-	20,000	142,027
Ms Christina Boyce	56,215	-	50,000	106,215
Mr Neil Broekhuizen	100,000	-	-	100,000
Ms Zita Peach	28,740	-	27,260	56,000
Executive Directors				
Mr Michael Knaap	46,670	-	7,774	54,444
Mr David Morris	125,000	-	-	N/A[1]
Dr Richard Henshaw	1,108,602		303,030	1,411,632
Other Key Management Personnel				
Mr Malik Jainudeen	-	-	-	-
Mr Brett Comer	-	-	-	-
Total	**1,614,280**	**-**	**433,837**	**1,923,117**

[1] Mr David Morris ceased his employment on 9 October 2018 and was not considered KMP at year end.

4.0 Link to Group Performance

4.1 Group Performance

The revenue and earnings of the Group for the five years to 30 June 2019 are summarised below:

Measure	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Revenue	151,980	150,736	155,182	156,561	124,955
Reported EBITDA	37,242	38,109	48,974	49,584	38,805
Underlying EBITDA[2]	37,815	38,109	48,974	49,584	38,805
Net Profit After Tax [1]	19,807	21,181	29,619	28,775	21,373
STI Payable	29.4%	0%	17.8%	84.6%	0.0%
Relative Total Shareholder Return [1]	34%	-35%	3%	48%	-27%
Closing Share Price ($)	1.40	1.08	1.78	1.82	1.28
Dividend Per Share (cents)	6.0	6.00	8.80	8.50	6.95
Earnings per Share (cents) [1]	8.4	9.1	12.6	12.2	9.2

[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] EBITDA adjusted for one-off items including Mosman clinic closure make-good provision ($100k pre-tax) and CEO separation costs ($473k pre-tax) relates to FY19 only.

During the period, Revenue, EBITDA, NPAT, TSR and EPS were key performance measures. In addition, during FY2019, H2 NPAT performance was a performance measure, with the Group achieving NPAT growth of 10% compared to 2H18.

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

Matters subsequent to the end of the financial year

(a) On 10 July 2019, Monash IVF Group Limited announced the acquisition of Fertility Solutions, a Queensland based provider of fertility services, for initial cash consideration of $2.1 million. The financial effects of this transaction have not been recognised a 30 June 2019. The operating results and assets and liabilities of the acquired entity will be consolidated from the completion date expected to be in early September 2019.

(b) On 22 August 2019, Monash IVF Group Limited announced that five Victorian based fertility specialists ("Doctors") who currently refer patients for IVF treatment and are not subject to both notice and restraint provisions (unlike the vast majority of its 106 specialists), will cease using services from Monash IVF Group Limited from September 2019. These Doctors intend to establish their own independent IVF clinic with operational control.

(c) On 26 August 2019, a fully franked final dividend of 3.0 cents per share was declared. The record date for the dividend is 6 September 2019 and the payment date for the dividend is 11 October 2019.

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 53 and forms part of the directors' report for the year ended 30 June 2019.

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

Richard Davis
Chairman

Dated in Melbourne this 26th day of August 2019

Auditor's Independence Declaration

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

To the Directors of Monash IVF Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Monash IVF Group Limited for the financial year ended 30 June 2019 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
26 August 2019

Corporate Governance Statement

This statement, approved by the Board, reports on the Group's key governance framework, principles and practices as at 30 June 2019. 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 is supported by the Executive Team which is responsible for implementation of Board directed strategies at an operational level.

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

1.2 and 1.3 Board and Senior Executive Appointments

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

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

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.

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

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	6	40%
Team Leader	27	87%
Total Staff (inc above)	537	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 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 FY19, 41 employees have taken parental leave, utilising the Group's generous parental leave policy. Flexible hour working arrangements either formally and informally are widely used across Monash IVF Group.

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

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

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

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

Monash IVF Group is committed to providing a diverse and culturally inclusive work environment to ensure that all employees are valued and safe in their workplace. Monash IVF Group provides an Equal Employment Opportunity policy framework in relation to harassment, bullying, discrimination and grievance procedures. The policies are available to all employees via the Company intranet. The Group also offers an employee assistance program that provides a confidential counselling service to support employee wellbeing in the workplace. To ensure a full understanding of respectful workplace obligations, the organisation utilises a Learning Management System, an online learning management portal to manage and track the full compliance of all respectful workplace topics. In FY19 Monash IVF Group partnered with Pride in Diversity, a national not-for-profit employer support program for LGBTI workplace and is specifically designed to assist employers and employees with all aspects of inclusion.

1.6 Director Performance Evaluation

The Remuneration and Nomination Committee under the Chair of Ms Christy Boyce undertakes the process of performance reviews of the Board, its Committees and the Chairman. Objectives of the review are to ensure the Board adheres to ASX governance principles and to identify opportunities to improve the functioning of the Board as a whole. The focus is on the performance of the Board as a whole and, to a lesser extent, the Board committees. The Chairman performs individual appraisals on each director.

The annual review completed by Monash IVF Group Ltd Board was undertaken in August 2019 with findings and feedback aggregated and discussed by the Board to inform areas or opportunities for improvement.

1.7 Senior Executive Evaluations

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

The Chairman of the Board performs the CEO performance review against annual key performance indicators. 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 in-place; the Remuneration and Nomination Committee and the Audit and Risk Committee whereby meetings occurred during FY19. 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
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

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

- Ms Christina Boyce (Chair)
- Mr Richard Davis
- Mr Josef Czyzewski
- Ms Zita Peach

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

- the Company's remuneration policy;
- Board succession issues and planning;
- Board member and re-election of members to the Board and its committees;
- Director induction and continuing professional development programs for Directors;
- remuneration packages of senior executives;
- non-executive Directors and executive Directors, equity-based incentive plans and other employee benefit programs;
- Company superannuation arrangements;
- the Company's recruitment, retention and termination policies;
- succession plans of the CEO, senior executives and executive Directors;
- the process for the evaluation of the performance of the Board, its Board Committees and individual Directors;
- the review of the performance of senior executives;
- review of the Company's remuneration policies and packages; and
- the size and composition of the Board and strategies to address Board diversity and the Company's performance in respect of the Company's Diversity and Inclusion Policy, including whether there is any gender or other inappropriate bias in remuneration for Directors, senior executives or other employees.

2.2 Board Skill Matrix

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

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

100% 75% 50% 25% 0%

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

2.3 2.4 and 2.5 Board Independence

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

The Board has assessed, using the criteria set out in the ASX Corporate Governance Principles and Recommendation, the independence of non-executive directors in light of their interests and relationships and considers at least half to be independent. The independence status and length of service of each director is outlined in the table under Principle 2. During FY19 the percentage of Board members considered independent was 71%. Mr Richard Davis was appointed Monash IVF Group Ltd Chairman in June 2014. He is a non-executive Independent Director. Mr Davis in his role as Chair provides leadership to the Board and advice and support to the CEO. The Chair of the Board is responsible for overseeing Board dynamics and ensuring all directors contribute effectively and constructively to Group meetings and strategic agendas.

2.6 Director Induction and Professional Development

Monash IVF Group Ltd has a comprehensive induction process for Directors and senior executives. This induction includes meetings with senior management and staff to gain an understanding of the core business as well as visits to laboratories and clinics to gain a more in depth understanding of the business.

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

Principle 3 Act Ethically and Responsibly

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

3.1 Code of Conduct

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

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

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

Principle 4 Safeguard integrity in corporate reporting

4.1 Audit Committee

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

Monash IVF Group Ltd engages the services of an external auditor; who's independence and performance is monitored and reviewed by the Audit and Risk Management Committee. The external auditors and Audit & Risk Committee and Audit Chair met on a number of occasions independently of Management during 2019.

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

Current members of the Committee are:

- Mr Josef Czyzewski (Chair)
- Mr Richard Davis
- Ms Christina Boyce
- Mr Neil Broekhuizen

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

4.2 Financial Statement Approval

Monash IVF Group Ltd CEO and MD, Mr Michael Knaap, and CFO, Mr Malik Jainudeen, reviewed and verified that the FY19 half year and full year reporting statements as listed in reports to the ASX and shareholders are true and accurate. A declaration to that effect has been signed by both to declare that the financial records have been entered and maintained as per the Corporations Act (2001) accounting standards and they give a fair and true view of the financial position and performance of Monash IVF Group Ltd. Further a detailed questionnaire is completed by senior operational, administrative and financial management attesting to the validity and integrity of the processes that they control prior to the approval of the Financial statements. These questionnaires are reviewed by the Audit and Risk Management Committee.

4.3 Auditor in attendance at Annual General Meeting

Monash IVF Group Ltd has retained the services of KPMG as an external auditor for the annual financial audit of the Group. KPMG will be in attendance at the Annual General Meeting (AGM) on 28 November 2019 to respond to Shareholders questions and provide information and feedback if required on the Auditor's report. The external auditors attended the AGM held on 22 November 2018. Shareholders were able to supply questions to the auditor before the AGM via numerous methods as well as being provided with the opportunity to ask questions at the AGM.

Principle 5 Make timely and balanced disclosure

5.1 Continuous Disclosure

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

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

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

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

Principle 6 Respect the rights of security holders

6.1 Communication with Shareholders

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

- Company information including Board members;
- A 'Corporate Governance' landing page with documents including 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;
- a copy of the Company's Prospectus and Annual Reports;
- previous 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
- Our Business – lists the Monash IVF Group Ltd subsidiary companies
- Research and Innovation – lists current and published research and our scientific firsts.

6.2 Investor Relations

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

6.3 Attendance at Company meetings

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

The next Annual General Meeting will be held on 28 November 2019.

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

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

6.4 Electronic Communication

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

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

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

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

Principle 7 Recognise and Manage Risk

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

7.1 Audit and Risk Committee

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

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

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

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

This Charter prescribes that the Audit and Risk Management Committee consist of at least three Board Directors that are non-executive independent Directors.

7.2 Risk Management

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

The Group maintains a Risk Register that documents all identified risks, lists appropriate preventative actions to mitigate risks, reviews process of risk reduction and nominates responsible persons who take ownership of the risk strategy process. The Risk Register is reviewed by the Risk Owners, Leadership teams and Executive Team help determine whether risks are still current, controls are effective and identify any emerging risks, which are then flagged to the Audit and Risk Management Committee. An annual review of Risk Management is undertaken annually and was completed in May 2019.

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.

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. During FY19, an external audit provider, PricewaterhouseCoopers, performed certain internal control procedures on IT cyber security and risk review. 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. As a Group we are committed to conducting our services in an open and transparent environment and in a manner that is honest and ethical. The Group embraces responsibility for corporate actions and encourages a positive impact on the environment and stakeholders including patients, employees, investors and the community.

Since our early pioneering days in assisted reproductive treatment, resulting in the first IVF pregnancy in 1973, Monash IVF Group Ltd has played an important role in the local communities we serve and society at large. Our focus on evidenced based fertility care provides the opportunity to commit resources to scientific research, clinical teaching and training. Our 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 companies ensure national regulation and state legislation drives the standards of care to ensure we protect our patients, donors and any children born as a result of treatment provided by the Group.

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

- Our assisted reproductive treatment sites in Australia are accredited with the Reproductive Technology Accreditation Committee (RTAC) and we ensure appropriate documentation is held by our sites, doctors, nurses and scientists. This accreditation incorporates components covering ethics and safety in practice and management of adverse events.
- Our day surgeries are accredited with National Safety and Quality Health Service (NSQHS) standards which ensure quality standards are consistent with an exceptional standard of care expected by consumers in health facilities.
- Our diagnostic laboratories are accredited to ISO 15189 and relevant NPAAC Guidelines.
- Our diagnostic imaging (ultrasound) facilities are accredited with the Department of Health Diagnostic Imaging Accreditation Scheme (DIAS).
- Our 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 our staff and Doctors are instrumental to the success of the organisation. Comprehensive recruitment, credentialing, induction, training and development programs are designed to attract and retain staff equipped to deliver outstanding customer care. Staff actively participate in the continual improvement of our internal policies and processes and are encouraged to participate in innovation and research.

The Monash IVF Group Workplace Health and Safety Policy framework covers policies on general safety in the workplace.

Monash IVF Group Ltd recognises protecting the environment is a critical issue and a key responsibility of the business and corporate community. With 23 fertility clinics, 18 specialist women's imaging sites, 9 service centres, 2 specialised diagnostic laboratories, 2 day hospitals and one central administration headquarters, we consider our environmental impact is minimal. Monash IVF Group is an organisation that is not involved in manufacturing or resource extraction and hence we consider our environmental footprint to be small and we adopt a philosophy of clinical excellence in an environment of safe and supportive service provision. No material environmental or social sustainability risks have been identified.

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

The Group takes cyber security and its potential consequences extremely seriously. The Group has comprehensive security arrangements in place to isolate attacks on its systems and ensure that attempted intrusions are identified and viruses are not spread across the Group's network or systems. The Group's IT systems operate safely and securely. Numerous levels of redundancy and backup are built into the IT systems providing a high degree of system availability and protection of data. An independent third party review of the Group's cyber security risk was performed during FY18 and FY19. Recommendations from this review continue to be implemented and will further enhance cyber security measures in place.

Economic risk continues to be potentially material to Monash IVF Group Ltd. Our services in Australia are indirectly funded to a significant extent by the Australian Federal Government through the Medicare Benefit Schedule and Extended Medicare Safety Net. Any change to the funding arrangements could lead to 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.

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

8.3 Equity Based remuneration

Currently the CEO, COO and International Business Development Manager have long term incentives that are equity based. The CFO is expected to be issued with equity based remuneration in FY20. The participants have no mechanisms available to limit the risk associated with that scheme.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Revenue from services		**151,980**	**150,638**
Employee benefits expense		(48,095)	(47,891)
Clinician fees		(25,754)	(26,088)
Raw materials and consumables used		(15,547)	(14,521)
IT and communications expense		(2,948)	(2,588)
Depreciation expense	2.2	(3,712)	(3,888)
Amortisation expense	2.3	(1,361)	(1,063)
Property expense		(9,732)	(9,265)
Marketing and advertising expense		(4,989)	(4,033)
Professional and other fees		(3,069)	(3,236)
Other expenses		(4,031)	(4,907)
Mosman clinic closure and CEO separation costs[(1)]		(1,455)	-
Operating profit		**31,287**	**33,158**
Finance income		7	9
Finance expenses		(3,809)	(3,562)
Net finance costs	4.5	**(3,802)**	**(3,553)**
Profit before tax		**27,485**	**29,605**
Income tax expense	1.4	(7,678)	(8,424)
Profit for the year		**19,807**	**21,181**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		(603)	121
Tax on cash flow hedges		181	(36)
Exchange difference on translation of foreign operations		(15)	240
Other comprehensive income/(loss) for the year, net of tax		**(437)**	**325**
Total comprehensive income for the year		**19,370**	**21,506**
Profit attributable to:			
Owners of the Company		19,852	21,353
Non-controlling interests		(45)	(172)
Profit for the year		**19,807**	**21,181**
Total comprehensive income attributable to:			
Owners of the Company		19,415	21,678
Non-controlling interests		(45)	(172)
Total comprehensive income for the year		**19,370**	**21,506**
Earnings per share			
Basic earnings per share (cents)	1.3	8.4	9.1
Diluted earnings per share (cents)	1.3	8.4	9.1

[(1)] 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.

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	4.6	4,281	3,853
Trade and other receivables	2.1	3,296	4,193
Current tax assets		638	2,040
Inventory	2.5	3,983	3,854
Other assets	2.6	3,335	2,786
Total current assets		**15,533**	**16,726**
Non current assets			
Equity accounted investment		763	754
Trade and other receivables	2.1	114	85
Plant and equipment	2.2	16,523	16,935
Intangible assets	2.3	257,104	256,111
Total non current assets		**274,504**	**273,885**
Total assets		**290,037**	**290,611**
Current liabilities			
Trade and other payables	2.4	15,460	14,045
Derivative financial instruments	4.4	171	-
Employee benefits	3.1	8,572	7,926
Total current liabilities		**24,203**	**21,971**
Non current liabilities			
Borrowings	4.3	88,349	97,596
Derivative financial instruments	4.4	942	510
Employee benefits	3.1	920	798
Deferred tax liability	1.4	2,189	2,878
Total non current liabilities		**92,400**	**101,782**
Total liabilities		**116,603**	**123,753**
Net assets		**173,434**	**166,858**
Equity			
Share capital	4.1	428,757	428,347
Reserves		(137,484)	(137,035)
Profits reserve		42,834	36,174
Retained earnings		(160,892)	(160,892)
Total equity attributable to Owners of the Company		**173,215**	**166,594**
Non-controlling interests		219	264
Total equity		**173,434**	**166,858**

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

Consolidated Statement of Changes in Equity
For The Year Ended 30 June 2019

	Contributed equity $'000	Other equity reserve [1] $'000	Profits reserve [2] $'000	Retained earnings $'000	Other reserves [3] $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Consolidated balance at 30 June 2017	**428,347**	**(136,811)**	**33,418**	**(160,892)**	**(546)**	**163,516**	**-**	**163,516**
Profit for the year	-	-	21,353	-	-	21,353	(172)	21,181
Total other comprehensive income	-	-	-	-	325	325	-	325
Total other comprehensive income for the year	**-**	**-**	**21,353**	**-**	**325**	**21,678**	**(172)**	**21,506**
Transactions with owners in their capacity as owners directly in equity								
Share-based payment transactions	-	-	-	-	(3)	(3)	-	(3)
Capital contributions	-	-	-	-	-	-	436	436
Dividends paid	-	-	(18,597)	-	-	(18,597)	-	(18,597)
Consolidated balance at 30 June 2018	**428,347**	**(136,811)**	**36,174**	**(160,892)**	**(224)**	**166,594**	**264**	**166,858**
Profit for the year	-	-	19,852	-	-	19,852	(45)	19,807
Total other comprehensive income/(loss)	-	-	-	-	(437)	(437)	-	(437)
Total other comprehensive income for the year	**-**	**-**	**19,852**	**-**	**(437)**	**19,415**	**(45)**	**19,370**
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**

[1] The other equity reserve represents the difference between the Issued Capital in Healthbridge Enterprises Pty Ltd and the consideration paid to acquire Healthbridge Enterprises Pty Ltd on 26 June 2014.
[2] The profits reserve comprises the transfer of net profit for the period and characterises profits available for distributions as dividends in future periods.
[3] Other reserves includes share based payments, foreign currency translation and hedging reserve.

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

Consolidated Statement of Cash Flows

For The Year Ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash flows from operating activities			
Receipts from customers		152,922	150,455
Payments to suppliers and employees		(113,043)	(114,912)
Cash generated from operations		**39,879**	**35,543**
Income taxes paid		(6,786)	(9,613)
Net cash flows generated from operating activities	4.6	**33,093**	**25,930**
Cash flows from investing activities			
Payment for plant and equipment and intangible assets		(6,536)	(6,559)
Net cash flows used in investing activities		**(6,536)**	**(6,559)**
Cash flows from financing activities			
Receipt of borrowings		12,500	21,800
Receipt of loans receivable		-	22
Proceeds from non-controlling interest		-	436
Repayment of borrowings		(21,500)	(19,300)
Debt facility refinance cost		(330)	-
Interest paid		(3,592)	(3,621)
Dividends paid		(13,192)	(18,597)
Net cash flows used in financing activities		**(26,114)**	**(19,260)**
Total cash flows from activities		**443**	**111**
Cash and cash equivalents at the beginning of the year		3,853	3,502
Effects of exchange rate changes on foreign currency cash flows and cash balances		(15)	240
Cash and cash equivalents at end of the year		**4,281**	**3,853**

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

Notes to the Consolidated Financial Statements
For The Year Ended 30 June 2019

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About this report

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

1.4 Recovery of deferred tax assets and income taxes

2.2 Plant and equipment

2.3 Goodwill & other indefinite assets and goodwill impairment testing assumptions

3.3 Share-based payments

Reporting entity

Monash IVF Group Ltd (the 'Company') is a for profit company primarily involved in the area of assisted reproductive services and the provision of specialist women's imaging services. The Company is incorporated in Australia and listed on the Australian Stock Exchange. Its registered office is at Level 1, 21-31 Goodwood Street, Richmond, Victoria and is limited by shares. The consolidated financial statements comprise the Company and its controlled entities (collectively 'the consolidated entity', 'Monash Group' or 'Group').

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

Basis of preparation

Statement of compliance

The 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 26 August 2019.

Going concern

As at 30 June 2019, the group has a net current asset deficiency of $8,670,000 (FY18: $5,245,000).

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

Basis of measurement

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

Functional and presentation currency

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

Rounding of amounts

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

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Monash IVF Group Ltd as at 30 June 2019 and the results of all subsidiaries for the year then ended. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The acquisition method of accounting is used to account for business combinations by the Group.

Section 1
Our Financial Performance

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

1.1 Operating segments

1.2 Dividends

1.3 Earnings per share

1.4 Taxation

1.1 Operating segments

Identification of reportable operating segments

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

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

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

Segment revenue

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

Segment EBITDA

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

Segment assets and liabilities

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

Information about reportable segments

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

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

Revenue recognition

Revenue is recognised when 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.

1.1 Operating segments (continued)

Deferred revenue

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

Other revenue

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

Segment results

2019	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total $'000
Revenue			
External revenue	140,378	11,602	151,980
Total revenue	**140,378**	**11,602**	**151,980**
Segment EBITDA [1] (before one-off non-recurring items)[2]	**32,521**	**5,294**	**37,815**
Depreciation and amortisation expense	(4,792)	(281)	(5,073)
Mosman clinic closure and CEO separation costs	(1,455)	-	(1,455)
Interest revenue	7	-	7
Interest expense	(3,809)	-	(3,809)
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**
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)**

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

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

(2) 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)

1.1 Operating segments (continued)

Segment results (continued)

Foreign currency translation

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

Foreign operations

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

1.2 Dividends

On 25 February 2019, the Board declared a fully franked interim dividend of 3.00 cents per share. Payment of the interim dividend occurred on 5 April 2019. On 27 August 2018, a fully franked 2018 final dividend of 2.60 cents per share was declared and paid on 12 October 2018. Total dividends declared during the 2019 financial year were 5.60 cents per share ($13.2m). 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.

Subsequent to 30 June 2019, the Board has declared a fully franked 2019 final dividend of 3.00 cents per share. Total dividend declared for FY2019 is 6.00 cents per share.

Franking credits surplus as at 30 June 2019 is $13.0m (FY18: $12.4m).

1.3 Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Earnings per share	Consolidated 2019 Cents per share	2018 Cents per share
Basic earnings per share	8.4	9.1
Diluted earnings per share	8.4	9.1

Profit attributable to ordinary shareholders	2019 $'000	2018 $'000
Profit after income tax attributable to the ordinary shareholders used in calculating basic and diluted earnings per share	19,852	21,353

Weighted average number of shares (basic)	2019 Number	2018 Number
Issued ordinary shares at 1 July	235,395,438	235,395,438
Effect of shares issued during the period	202,640	-
Weighted average number of ordinary shares at 30 June	**235,598,078**	**235,395,438**

Weighted average number of shares (diluted)	2019 Number	2018 Number
Weighted average number of shares (basic)	235,598,078	235,395,438
Adjustments for calculation of diluted earnings per share (1)	322,654	361,228
Weighted average number of ordinary shares (diluted) at 30 June	**235,920,732**	**235,756,666**

(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.

1.4 Taxation

Recognition and Measurement

Income tax

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

Current tax

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

Income Tax

	Consolidated	
	2019	2018
	$'000	$'000
Current tax	8,186	7,270
Deferred tax	(508)	1,154
Total income tax expense	**7,678**	**8,424**
Deferred income tax expense/(benefit) included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	(508)	1,154
Total deferred tax expense/(benefit)	**(508)**	**1,154**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	27,485	29,605
Tax at the Australian tax rate of 30% (2018: 30%)	8,245	8,881
Tax effect of amounts which are not deductible in calculating taxable income:		
Effect of tax rates in foreign jurisdiction	(301)	(210)
Research and development	(250)	(250)
Other items	20	-
Over/(under) provision of previous year	(36)	3
Income tax expense	**7,678**	**8,424**

1.4 Taxation (continued)

Deferred Tax

2019 *In thousands of dollars*	Deferred tax asset 1 July 2018	Deferred tax liability 1 July 2018	Recognised in profit or loss	Recognised directly in equity	Deferred tax asset at 30 June 2019	Deferred tax liability at 30 June 2019
Plant, equipment & software	-	(214)	-	-	-	(214)
Intangible assets	-	(5,944)	-	-	-	(5,944)
Derivatives	155	-	-	181	336	-
Trade payables and provision	508	-	277	-	785	-
Employee benefits	2,617	-	231	-	2,848	-
Tax (liabilities)/assets before set off	**3,280**	**(6,158)**	**508**	**181**	**3,969**	**(6,158)**
Set off tax	(3,280)	3,280	-	-	(3,969)	3,969
Net tax assets/(liabilities)	**-**	(2,878)	**-**	**-**	**-**	**(2,189)**

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

1.4 Taxation (continued)

Recognition and Measurement

Deferred tax

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

Deferred tax is not recognised for the following temporary differences:

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

- In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

Offsetting deferred tax

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

Tax consolidation

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

Key estimate and judgement:

Recovery of deferred tax assets

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

Key estimate and judgement:

Income taxes

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

Section 2
Our Operating Asset Base

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

2.1 Trade and other receivables	**2.4 Trade and other payables**
2.2 Plant and equipment	**2.5 Inventory**
2.3 Intangible assets	**2.6 Other assets**

2.1 Trade and other receivables

Recognition and Measurement

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

A financial asset (including trade receivables) not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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 significant 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 and informed credit assessment and including forward-looking information. ECLs are a probability-weighted estimate of credit losses, measured as the present value of all cash shortfalls and discounted at the effective interest rate of the financial asset.

	Consolidated	
	2019 $'000	**2018 $'000**
Current		
Trade receivables	3,218	3,673
Provision for impairment	(460)	(458)
Other debtors	409	599
Accrued income	129	379
Total current trade and other receivables	**3,296**	**4,193**
Non current		
Other receivables and debtors	114	85
Total trade and other receivables	**3,410**	**4,278**

Credit Risk

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

Credit risk is managed at a business unit level and reviewed regularly by the administrative/accounts receivables function. Up to 100% of patient fees are received in advance and recognised as deferred revenue if the procedure is yet to be performed. This reduces the risk of non-collectability. Trade receivables reflect 2.1% of annual revenue (FY18: 2.4%).

Payment reminder notices are issued to patients with outstanding balances at 30, 60 and 90 days. After which, collection of this debt is handled by a collection agency. The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

2.2 Plant and equipment

Recognition and Measurement

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

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

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

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

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

Subsequent costs

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

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

Key estimate and judgement:

Plant and equipment

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

Depreciation

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

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

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

2.2 Plant and equipment (continued)

	Consolidated	
	2019 $'000	2018 $'000
Cost		
Opening balance at 1 July	**49,496**	**45,423**
Additions	4,182	4,073
Closing balance at 30 June	**53,678**	**49,496**
Depreciation and impairment losses		
Opening balance at 1 July	**(32,561)**	**(28,673)**
Depreciation for the year [1] [2]	(4,594)	(3,888)
Closing balance at 30 June	**(37,155)**	**(32,561)**
Carrying amount		
At 1 July (Opening balance)	16,935	16,750
At 30 June (Closing balance)	**16,523**	**16,935**

[1] The estimated useful lives of plant & equipment in 2019 and 2018 are between 2-10 years from the purchase date.
[2] Includes Mosman clinic closure accelerated depreciation of $882,000.

2.3 Intangible assets

Recognition and Measurement

Goodwill

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

Subsequent expenditure

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

Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

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

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

	Goodwill $'000	Software $'000	Trademark $'000	Others [1] $'000	Total $'000
Cost					
Balance at 1 July 2017	230,657	14,185	19,845	9,587	274,274
Additions	-	2,486	-	-	2,486
Balance at 30 June 2018	**230,657**	**16,671**	**19,845**	**9,587**	**276,760**
Balance at 1 July 2018	230,657	16,671	19,845	9,587	276,760
Additions	-	2,354	-	-	2,354
Balance at 30 June 2019	**230,657**	**19,025**	**19,845**	**9,587**	**279,114**
Amortisation and impairment losses					
Balance at 1 July 2017	(1,549)	(8,450)	-	(9,587)	(19,586)
Amortisation for the year	-	(1,063)	-	-	(1,063)
Impairment loss	-	-	-	-	-
Balance at 30 June 2018	**(1,549)**	**(9,513)**	**-**	**(9,587)**	**(20,649)**
Balance at 1 July 2018	(1,549)	(9,513)	-	(9,587)	(20,649)
Amortisation for the year	-	(1,361)	-	-	(1,361)
Impairment loss	-	-	-	-	-
Balance at 30 June 2019	**(1,549)**	**(10,874)**	**-**	**(9,587)**	**(22,010)**
Carrying amounts					
at 30 June 2018	229,108	7,158	19,845	-	256,111
at 30 June 2019	**229,108**	**8,151**	**19,845**	**-**	**257,104**

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

2.3 Intangible assets (continued)

Impairment testing

Recognition and measurement on impairment on Non-Financial assets

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

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

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

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

The following CGUs were tested for impairment during the 2019 financial year:

	2019 $'000	2018 $'000
Goodwill allocated to:		
Monash IVF Group (Australia)	195,727	195,727
Monash IVF Group (Ultrasound)	28,232	28,232
Monash IVF Group (International)	5,149	5,149
	229,108	**229,108**

2.3 Intangible assets (continued)

Key estimate and judgement:

Goodwill & other indefinite life assets

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

Goodwill impairment testing assumptions

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

- The respective discount rate was a pre-tax measure based on the rate of 10 year Government bonds issued by the Australian and Malaysian Government respectively in the relevant market, adjusted for a risk premium to reflect the increased risk of investing in equities generally and the systemic risk of the specific CGU. A pre-tax discount rate of 10.47% (FY18: 10.81%) for the Australian CGU, 11.70% (FY18: 11.52%) for the Ultrasound CGU and 11.27% (FY18: 11.27%) for the International CGU was applied in determining the recoverable amount. The discount rate was estimated based on past experience, and the industry average weighted cost of capital.

- Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity of between 2.00% to 3.00% (FY18: 3.00%) has been determined based on an assessment of historical growth rates, expectations of future growth rates and market specific dynamics. Budgeted EBIT was based on the expectation of future outcomes taking into account past experience, adjusted for the anticipated revenue growth.

2.4 Trade and other payables

Recognition and Measurement

Trade and other payables

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

Provisions

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

	Consolidated	
	2019 $'000	2018 $'000
Current		
Trade payables	4,388	2,803
Accrued expenses	4,753	4,787
Deferred revenue	6,050	6,090
Other liabilities	269	365
Total current trade and other liabilities	**15,460**	**14,045**

2.5 Inventory

Recognition and Measurement

Inventory

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

	Consolidated	
	2019 $'000	2018 $'000
Inventory	3,983	3,854
Total inventory	**3,983**	**3,854**

2.6 Other assets

Recognition and Measurement

Prepayments

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

	Consolidated	
	2019 $'000	2018 $'000
Prepayments	2,327	2,250
GST receivable and other	1,008	536
Total other assets	**3,335**	**2,786**

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
3.2 Long term incentive plan
3.3 Share-based payments arrangements
3.4 Key management personnel

3.1 Employee benefits

Recognition and Measurement

Short-term obligations

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

Long-term obligations

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

The aggregate amount of employee benefits is comprised of:

	Consolidated	
	2019 $'000	2018 $'000
Current liability		
Long service leave	5,095	4,526
Annual leave	3,477	3,400
Total current employee benefits	**8,572**	**7,926**
Non current liability		
Long service leave	920	798
Total non current employee benefits	**920**	**798**

The aggregate employee entitlement provision is $9,492,000 (FY18: $8,724,000). Employee benefits incurred during the year were $48,095,000 (FY18: $47,891,000).

3.2 Long-term incentive plan

Recognition and Measurement – Share-based payments

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

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

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

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

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

Senior executive's long-term incentive plan

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

Fertility specialist long-term incentive plan

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

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

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

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

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

3.3 Share-based payments arrangements

Long term incentive program (equity settled)

Key management personnel are entitled to participate in the Group long-term incentive plan. Performance rights applicable to FY19 were granted in FY16, FY17, FY18 and FY19 under the program. There will be no loan from the Company for the acquisition of shares upon vesting of the rights.

A description of the equity plans applicable during the year ended 30 June 2019 are described below:

Grant date	Number of performance rights	Vesting conditions	Exercise price	Contractual life of performance rights
20 December 2018	207,997	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	N/A	6 years
29 January 2018	287,262	EPS - Subject to meeting certain EPS hurdles and 3 year service period to 30 June 2020 TSR - Subject to Total Shareholder Return hurdles and a 3 year service period to the 11th trading day after the FY20 results announcement	N/A	5 years
17 March 2017	143,540	EPS - Subject to meeting certain EPS hurdles and 3 year service period to 30 June 2019 TSR - Subject to Total Shareholder Return hurdles and a 3 year service period to the 11th trading day after the FY19 results announcement	N/A	5 years
29 June 2016	233,570	EPS - Subject to meeting certain EPS hurdles and 3 year service period to 30 June 2018 TSR - Subject to Total Shareholder Return hurdles and a 3 year service period to the 11th trading day after the FY18 results announcement	N/A	5 years

3.3 Share-based payments arrangements (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:

	2019	2018	2017	2016
Fair value at grant date (EPS condition)	$1.00	$1.19	$1.69	$1.65
Fair value at grant date (TSR condition)	$0.45	$0.49	$0.63	$1.31
Share price at grant date	$1.00	$1.36	$1.90	$1.83
Exercise price	N/A	N/A	N/A	N/A
Expected volatility – Monash IVF	30%	37%	32%	32%
Expected volatility – ASX 300 Healthcare Index	15%	14%	15%	14%
Expected life (years)	6	5	5	5
Expected dividends	6.00%	5.50%	4.80%	4.80%
Risk free interest rate (based on government bonds)	1.88%	2.13%	1.91%	1.55%

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:

	Number of performance rights
Outstanding at 1 July 2017	109,038
Granted during the year	287,262
Lapsed during the year [1]	(35,072)
Outstanding at 30 June 2018	361,228
Granted during the year	207,997
Lapsed during the year [2]	(54,519)
Forfeited during the year [3]	(192,052)
Outstanding at 30 June 2019	322,654

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

3.4 Key management personnel

Compensation	2019 $	2018 $
Short-term employee benefits	1,982,874	1,629,537
Post-employment benefits	629,219	102,317
Share-based payments	3,569	31,121
Total key management personnel compensation	**2,615,662**	**1,762,975**

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

4.1 Contributed equity and reserves

4.2 Financial risk management

4.3 Borrowings

4.4 Derivative financial instruments

4.5 Net finance costs

4.6 Cash and cash equivalents

4.1 Contributed equity and reserves

Recognition and measurement

Ordinary shares

Ordinary shares are classified as equity.

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

Other equity reserve

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

Profits reserve

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

Share option reserve

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

Hedge reserve

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

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

Foreign currency translation reserve

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

4.1 Contributed equity and reserves (continued)

	Number of shares issued	$'000
Opening balance at 1 July 2017	235,395,438	428,347
Closing balance at 30 June 2018	**235,395,438**	**428,347**
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**

[1] Issue of shares to a consultant under the terms of their consultancy agreement

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

Ordinary shares

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

Capital management

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

Escrow arrangements

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

	30 June 2019		30 June 2018	
	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)
Doctors [1]	15.3	6.5%	15.6	6.6%
Sydney Ultrasound for Women	1.5	0.6%	1.6	0.7%
Total	**16.8**	**7.1%**	**17.2**	**7.3%**

[1] FY19 Includes 1.0m shares subject to escrow held by Richard Henshaw (Executive Director) (FY18:$1.0m shares)

4.1 Contributed equity and reserves (continued)

Escrow arrangements (continued)

Doctors

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

Shares equivalent to 10% of a Doctor's interest prior to the re-organisation were held in short-term escrow, with 3.33% released each year from escrow on the first trading day in Shares following the Company's FY15, FY16 and FY17 financial results announcements to the ASX. This concluded the release of the pre-IPO doctor short-term escrow.

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

1. Shares equivalent to 20% of a Doctor's interest prior to the re-organisation will be released when the Doctor reaches the age of 63. These shares may be otherwise released from escrow in the following circumstances:
   - for Doctors who were aged 63 or older at the time of re-organisation or who turned 63 within two years of Completion, these shares can be released from escrow from June 2016; or
   - where a Doctor becomes a 'relocated leaver' (as described below), these Shares can be released from escrow five years after the date that they become a 'relocated leaver'; or
   - where a Doctor dies or leaves the Group as a result of becoming permanently disabled or seriously disabled, these shares can be released from escrow on the date of the relevant occurrence (as resolved by the Board acting reasonably); or
   - If the Board determines to release the shares from escrow earlier.

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

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

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

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

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

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

4.1 Contributed equity and reserves (continued)

Escrow arrangements (continued)

Escrow for Sydney Ultrasound for Women (SUFW)

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

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

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

4.2 Financial risk management

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

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

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

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

Liquidity risk

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

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

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

4.2 Financial risk management (continued)

2019	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	1-5 years $'000	> 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)**	**-**

2018	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	1-5 years $'000	> 5 years $'000
Non-derivative financial liabilities					
Secured bank loans	98,000	(102,867)	(3,361)	(99,506)	-
Trade and other payables	14,045	(14,045)	(14,045)	-	-
Derivative financial liabilities					
Interest rate swaps	510	(510)	-	(510)	-
	112,555	**(117,422)**	**(17,406)**	**(100,016)**	**-**

Foreign exchange risk

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

Interest rate risk

Interest rate risk is managed using a mix of floating rate debt and fixed rate instruments. At 30 June 2019 approximately 56% of the interest rate exposure is fixed (FY18: 51%). This is achieved by entering into interest rate swaps to mitigate interest rate risk on floating rate debt. Interest rate swaps are not entered into for trading purposes and are not classified as held for trading.

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

	Consolidated	
	2019 $'000	2018 $'000
Fixed rate instruments		
Financial assets	565	565
Financial liabilities	(50,000)	(50,000)
	(49,435)	**(49,435)**
Variable rate instruments		
Financial assets	3,716	3,228
Financial liabilities	(39,000)	(48,000)
	(35,284)	**(44,772)**

Cash flow sensitivity analysis for variable rate instruments

A reasonable possible change of a 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by $352,840 (FY18: $447,720). This assumes that all other variables remain constant.

4.2 Financial risk management (continued)

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

		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
2018	$'000	$'000	$'000	$'000	$'000
Financial liabilities measured at fair value					
Interest rate swaps for hedging	510	-	510	-	510
	510	**-**	**510**	**-**	**510**

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).

4.2 Financial risk management (continued)

(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

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.

4.3 Borrowings (continued)

Borrowings

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

The current facility comprises of a $110.0m syndicated debt and $5.0m working capital facility. In addition, the Group has access to an un-committed $40.0m accordion facility for acquisition and capital expenditure purposes. In December 2018, the Group amended and extended the syndicated debt facility, working capital facility and accordion facility. The maturity profile of the facilities has been extended to January 2022.

The maturity profile of the syndicated debt facility is as follows for amounts utilised:

				30 June 2019	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
				$'000	$'000
Commercial loans	AUD	2.88%	2022	89,000	89,000
Total interest bearing liabilities				**89,000**	**89,000**

Borrowing carrying values are as follows:

	Consolidated	
	2019 $'000	2018 $'000
Non current borrowings		
Borrowings	89,000	98,000
Capitalised finance facility fees	(651)	(404)
	88,349	**97,596**

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

The Group is subject to certain financial undertakings under the banking facilities which will be tested at 31 December and 30 June each year. As at 30 June 2019, the Group is compliant with its financial undertakings and expects to remain in compliance with these financial undertakings. During the prior year, there were no defaults or breaches of covenants on any loans.

As at 30 June 2019, the Group had $1,369,000 of bank guarantees in place (FY18: $950,000).

4.4 Derivative financial instruments

	Consolidated	
	2019 $'000	2018 $'000
Current		
Derivatives	171	-
	171	**-**
Non current		
Derivatives	942	510
	942	**510**

In February 2017, the Group entered into 2 interest rate swaps for $45m which are in a hedging relationship with existing debt. $15m of these swaps will mature each year in February 2020, 2021 and 2022. A further $5m interest rate swap was entered into in June 2018 for $5m which will mature in February 2020.

4.5 Net Finance Costs

Recognition and measurement

Finance income and finance costs include:

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

	Consolidated	
	2019 $'000	2018 $'000
Finance income		
Interest income	7	9
	7	**9**
Finance expense		
Interest expense	(3,656)	(3,438)
Amortisation of bank fees	(153)	(124)
Total finance expense	**(3,809)**	**(3,562)**
Net finance costs	**(3,802)**	**(3,553)**

4.6 Cash and cash equivalents

Recognition and measurement

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

The Group limits its exposure to credit risk on liquid funds because the counterparties engaged are banks with high credit ratings assigned by international credit agencies. At balance date, the Group had $4,281,000 in short-term deposits or cash at bank with 'A' rated or higher Australian banks.

	Consolidated	
	2019 $'000	2018 $'000
Cash at bank and in hand	3,716	3,288
Short-term bank deposits	565	565
Total cash and cash equivalents	**4,281**	**3,853**

Cash flow information

	Consolidated	
Reconciliation of profit after income tax to net cash inflow from operating activities	2019 $'000	2018 $'000
Profit for the period	19,807	21,181
Adjustments for:		
Net finance expense	3,802	3,553
Depreciation and amortisation	5,073	4,951
Mosman clinic closure accelerated depreciation	882	-
Income tax expense	7,678	8,424
Share of associate loss	37	8
Share rights expense	12	3
Doctor LTIP expense	6	52
Operating profit before changes in working capital and provisions	**37,297**	**38,172**
(Increase)/decrease in trade and other receivables	867	923
(Increase)/decrease in other assets	(551)	287
(Increase)/decrease in inventory	(129)	(451)
Increase/(decrease) in trade and other payables	1,626	(3,546)
Increase in provisions and employee benefits	769	158
Income taxes paid	(6,786)	(9,613)
Net cash from operating activities	**33,093**	**25,930**

Section 5
Our Business Portfolio

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

5.1 Controlled entities

5.1 Controlled entities

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

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

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

Section 6
Other disclosures

6.1 Changes in accounting policies
6.2 New standards and interpretations
6.3 Commitments
6.4 Parent entity disclosures
6.5 Deed of cross guarantee
6.6 Auditors' remuneration
6.7 Events occurring after the reporting period

6.1 Changes in accounting policies

The Group has initially applied AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Group's financial statements.

(a) AASB 15 Revenue from Contracts with Customers

AASB 15, Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. AASB 15 did not have a significant impact on the Group's recognition of revenue from services during the period or at transition date, due to the nature of services provided and time from which they are provided.

(b) AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces an "expected loss" model for measuring impairment of receivables. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

Classification and measurement of financial assets and financial liabilities

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. However, it eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of AASB 9 has not had a significant effect on the Group's classification or measurement of financial liabilities, financial assets and derivative financial instruments (for derivatives that are used as hedging instruments during the period or at transition date).

6.2 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 2018, but have not been applied in preparing this financial report.

Title of standard	AASB 16 Leases
Nature of change	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.
Date of adoption by Group	The Group will apply the standard from its mandatory adoption date of 1 January 2019, the financial year beginning 1 July 2019. The Group intends to apply the modified retrospective approach and will not restate comparative amounts for the first year prior to adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption.
Impact	The Group has completed an assessment of the potential impact on the Group's financial statements resulting from the application of AASB 16 with respect to existing lease arrangements that fall within the scope of the standard (primarily in relation to property). Based on existing lease arrangements, on 1 July 2019, the Group expects to recognise right-of-use assets of approximately \$21.4m on 1 July 2019, lease liabilities of approximately \$23.2m, and deferred tax assets of approximately \$0.54m.

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

- IFRIC 23 *Uncertainty over Income Tax Treatments*
- AASB 1059 *Service Concession Arrangements: Grantor*
- AASB 17 *Insurance Contracts*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to AASB 10 and AASB 128)

6.3 Commitments

Capital commitments

The Group has $863,000 capital expenditure contracted for at the end of the reporting period but not recognised as a liability (FY18: $119,000).

Non-cancellable operating lease

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

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	2019 $'000	2018 $'000
Within one year	5,391	4,793
Later than one year but no later than 5 years	8,682	9,104
Later than five years	-	-
	14,073	**13,897**

During the financial year ended 30 June 2019, $7,122,000 was recognised as an expense in the income statement in respect of operating leases (FY18: $7,068,000).

6.4 Parent entity disclosures

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

Results of parent entity	2019 $'000	2018 $'000
Profit after tax	13,535	24,941
Other comprehensive income	-	-
Total comprehensive income	**13,535**	24,941

Financial position of parent entity at year end	2019 $'000	2018 $'000
Current assets	499,137	486,340
Total assets	503,003	490,206
Current liabilities	(64,317)	(51,863)
Total liabilities	(64,317)	(51,863)
Net assets	**438,686**	**438,343**

Total equity of the parent entity comprising of:	2019 $'000	2018 $'000
Share capital	428,757	428,347
Retained earnings	9,929	9,996
Total equity	**438,686**	**438,343**

Contractual commitments for the acquisition of plant & equipment

The parent entity did not have any capital commitments for the acquisition of plant or equipment as at 30 June 2019 (FY18: nil).

Parent entity guarantees in respect of the debts of its subsidiaries

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

6.5 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, for the year ended 30 June 2019 is set out as follows:

6.5 Deed of cross guarantee (continued)

Extract of the statement of profit or loss and other comprehensive income	2019 $'000	2018 $'000
Profit before tax	25,654	29,136
Income tax expense	(6,516)	(7,711)
Net profit after tax	**19,138**	**21,425**
Other comprehensive income		
Profit for the period	19,138	21,425
Items that may be subsequently reclassified to profit or loss		
Cash flow hedges	(603)	121
Tax on cash flow hedges	181	(36)
Other comprehensive income for the year, net of tax	**18,716**	**21,510**
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	(122,265)	(125,093)
Profit for the period	19,138	21,425
Dividends paid – ordinary shares	(13,192)	(18,597)
Retained earnings at the end of the financial year	**(116,319)**	**(122,265)**

Statement of financial position	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	2,511	2,625
Trade and other receivables	3,263	4,125
Current tax asset	650	2,367
Inventory	3,756	3,739
Other assets	3,152	2,614
Total current assets	**13,332**	**15,470**
Non current assets		
Investment in subsidiaries	13,343	13,401
Trade and other receivables	69	69
Plant and equipment	14,170	14,562
Intangible assets	251,954	250,962
Total non current assets	**279,536**	**278,994**
Total assets	**292,868**	**294,464**
Current liabilities		
Trade and other payables	16,888	15,742
Derivative financial instruments	171	-
Employee benefits	8,559	7,897
Total current liabilities	**25,618**	**23,639**
Non current liabilities		
Borrowings	88,349	97,596
Derivative financial instruments	942	510
Deferred tax liability	2,128	2,919
Employee benefits	913	804
Total non current liabilities	**92,332**	**101,829**
Total liabilities	**117,950**	**125,468**
Net assets	**174,918**	**168,996**
Equity		
Contributed equity	428,757	428,347
Reserves	(137,520)	(137,086)
Retained earnings	(116,319)	(122,265)
Total equity	**174,918**	**168,996**

As at 30 June 2019, the Deed of cross guarantee has a net current asset deficiency of $12,286,000 (FY18: $8,169,000). As per the basis of preparation note, the Group considers the Deed of cross guarantee to be a going concern.

6.6 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

	2019 $	2018 $
Audit services - KPMG		
Audit and review of financial statements	284,000	284,000
Other services - KPMG		
Taxation services	146,000	144,065
Other auditors (Non-KPMG)		
Audit and review of financial statements	11,949	10,500
Total services	**441,949**	**438,565**

6.7 Events occurring after the reporting period

(a) On 10 July 2019, Monash IVF Group Limited announced the acquisition of Fertility Solutions, a Queensland based provider of fertility services, for initial cash consideration of $2.1 million. The financial effects of this transaction have not been recognised at 30 June 2019. The operating results and assets and liabilities of the acquired entity will be consolidated from the completion date expected to be in early September 2019.

(b) On 22 August 2019, Monash IVF Group Limited announced that five Victorian based fertility specialists ("Doctors") who currently refer patients for IVF treatment and are not subject to both notice and restraint provisions (unlike the vast majority of its 106 specialists), will cease using services from Monash IVF Group Limited from September 2019. These Doctors intend to establish their own independent IVF clinic with operational control.

(c) On 26 August 2019, a fully franked final dividend of 3.0 cents per share was declared. The record date for the dividend is 6 September 2019 and the payment date for the dividend is 11 October 2019.

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

Directors' Declaration
For The Year Ended 30 June 2019

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 66 to 106 and the Remuneration report on pages 35 to 51 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 2019 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001*; and

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

2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 6.5 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 2019.

4. The Directors draw attention to page 71 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, 26th day of August 2019

Mr. Richard Davis Chairman	Mr. Michael Knaap Chief Executive Officer
26 August 2019	26 August 2019

This is the original version of the Audit Report over the Financial Statements signed by the Directors on 26 August 2019. Page references should be read as follows to reflect the correct references now that the Financial Statements have been presented in the context of the Annual Report in its entirety: page references with respect to our Report on the Remuneration Report as set out in the Director's Report, should be updated to read pages 35 to 51.

KPMG

Independent Auditor's Report

To the shareholders of Monash IVF Group Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2019 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 2019
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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

Key Audit Matters

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

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

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Goodwill ($229.1 million)	
Refer to Note 2.3 of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
At 30 June 2019 the Group's balance sheet includes goodwill, contained within three cash generating units (CGUs) – Australian IVF, International IVF and Ultrasound. A key audit matter for us was the Group's annual testing of goodwill for impairment. We focused on the significant forward-looking assumptions the Group applied in its value in use models, including: • Forecast operating cash flows, growth rates and terminal growth rates in light of any changes in market conditions that have impacted the performance of relevant CGUs. These conditions impact our consideration of forecasting risk; 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. Forward-looking assumptions can be prone to greater risk for potential bias, error and inconsistent application. Where the Group has not met prior year forecasts in relation to a specific CGU we factor this into our assessment of forecast assumptions. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: • We assessed the appropriateness of the Group's identified CGU's, and 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 integrity of the value in use models used, including the accuracy of the underlying formulas; • We compared the forecast cash flows contained in the value in use models to Board approved forecasts; • We assessed the accuracy of previous Group forecasting to inform our evaluation of forecasts included in the value in use models. We applied increased scepticism to CGU forecasts when there was a shortfall in performance against previous forecasts; • We considered the sensitivity of the models by varying key assumptions, such as forecast growth rates and discount rates, to identify those assumptions at higher risk of bias or inconsistency in application. We also assessed the related impairment breakeven points for these assumptions in order to identify those CGUs at higher risk of impairment and to focus our further procedures; • We challenged the Group's forecast cash flow and growth assumptions in light of any changes to market conditions. We compared key events to the Board approved plan and strategy, and applied increased scepticism to forecasts in the areas where previous forecasts were not achieved. We compared forecast growth rates and terminal growth rates to published information regarding industry trends and expectations where appropriate, and considered differences in the Group's operations. We used our knowledge

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

Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report, Remuneration Report, Appendix 4E, Corporate Governance Statement and FY19 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 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.

This is the original version of the Audit Report over the Financial Statements signed by the Directors on 26 August 2019. Page references should be read as follows to reflect the correct references now that the Financial Statements have been presented in the context of the Annual Report in its entirety: page references with respect to our Report on the Remuneration Report as set out in the Director's Report, should be updated to read pages 35 to 51.

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Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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_files/ar2.pdf This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Monash IVF Group Limited for the year ended 30 June 2019, 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 35 of the Directors' report for the year ended 30 June 2019.

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

KPMG

KPMG

BW Szentirmay
Partner
Melbourne
26 August 2019

Shareholder Information

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 30 September, 2019.

Distribution of Shareholders – Ordinary Shareholders

Size of Holding	No of Shareholders	Ordinary Shares	% of issued Capital
1 to 1000	1,465	924,810	0.39%
1001 to 5000	2,463	6,908,340	2.93%
5001 to 10000	1,012	7,901,011	3.35%
10001 to 100000	1,075	28,396,840	12.04%
100001 and Over	114	191,654,883	81.28%
Total	**6,129**	**235,785,884**	**100.00%**

The number of security investors holding less than a marketable parcel of 470 securities ($1.065 on 30/9/2019) is 425 and they hold 117,827 securities.

Shareholder Information (Continued)

20 Largest Shareholders – Ordinary Shareholders

Rank	Name	No. of fully paid shares	% of issued Capital
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	56,980,314	24.17%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,373,616	8.22%
3	CITICORP NOMINEES PTY LIMITED	17,440,559	7.40%
4	NATIONAL NOMINEES LIMITED	13,310,809	5.65%
5	ARGO INVESTMENTS LIMITED	11,454,986	4.86%
6	JANGHO HEALTH CARE AUSTRALIA PTY LTD	10,623,124	4.51%
7	BOND STREET CUSTODIANS LIMITED	4,940,000	2.10%
8	CITICORP NOMINEES PTY LIMITED	4,612,000	1.96%
9	BNP PARIBAS NOMS (NZ) LTD	3,463,725	1.47%
10	BNP PARIBAS NOMINEES PTY LTD	3,444,768	1.46%
11	XLY HOLDING PTY LTD	3,090,000	1.31%
12	PACIFIC CUSTODIANS PTY LIMITED	2,474,369	1.05%
13	IPPOLITI PTY LTD	2,011,336	.85%
14	VOLLENHOVEN INVESTMENTS PTY LTD	1,812,787	.77%
15	MR PRASHANT NADKARNI	1,461,484	.62%
16	BNP PARIBAS NOMS PTY LTD	1,431,012	.61%
17	MILKS SFCT PTY LTD	1,229,928	.52%
18	DALYNE PTY LTD	1,170,000	.50%
19	KELTON PAUL TREMELLEN	1,109,245	.47%
20	ECAPITAL NOMINEES PTY LIMITED	1,102,408	.47%
Total for Top 20		**162,536,470**	**68.93%**
Total other investors		**73,249,414**	**31.07%**
Grand Total		**235,785,884**	**100.00%**

Substantial Shareholders

As at 30 September 2019, the following details the names of substantial shareholders in Monash IVF Group Limited and the number of shares held, as disclosed in substantial holding notices given to the Company:

Rank	Name	No. of fully paid shares	% of issued Capital
1	AUSTRALIANSUPER PTY LTD	27,333,696	11.6%
2	CELESTE FUNDS MANAGEMENT	12,988,660	5.5%

Voting Rights

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

Corporate Directory

Stock Exchange Listing

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

Directors

Mr Richard Davis – Chairman

Ms Christina Boyce

Mr Neil Broekhuizen

Mr Josef Czyzewski

Dr Richard Henshaw

Mr Michael Knaap

Ms Zita Peach

Mr Malik Jainudeen – Company Secretary

Share Registry

Link Market Services
Tower 4, 727 Collins Street
Melbourne VIC 3008

T 1300 554 474

Legal

Clayton Utz
1 Bligh Street
Sydney NSW 2000

T +61 (0)2 9353 4000

Auditor

KPMG Australia
Tower Two, Collins Square
727 Collins Street
Docklands VIC 3008

T +61 (0)3 9288 5555

Corporate Office

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Level 1
21-31 Goodwood Street
Richmond VIC 3121

T +61 (0)3 9420 8235

Website

www.monashivfgroup.com

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Monash IVF Group Limited

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

Annual General Meeting

KPMG
Collins Square Tower Two
Room 12 and 13
Wominjeka & Bunjil Room
Level 36
727 Collins Street
Melbourne 3008
at 2:00pm

www.colliercreative.com.au #MON0024

MONASH IVF GROUP

www.monashivfgroup.com