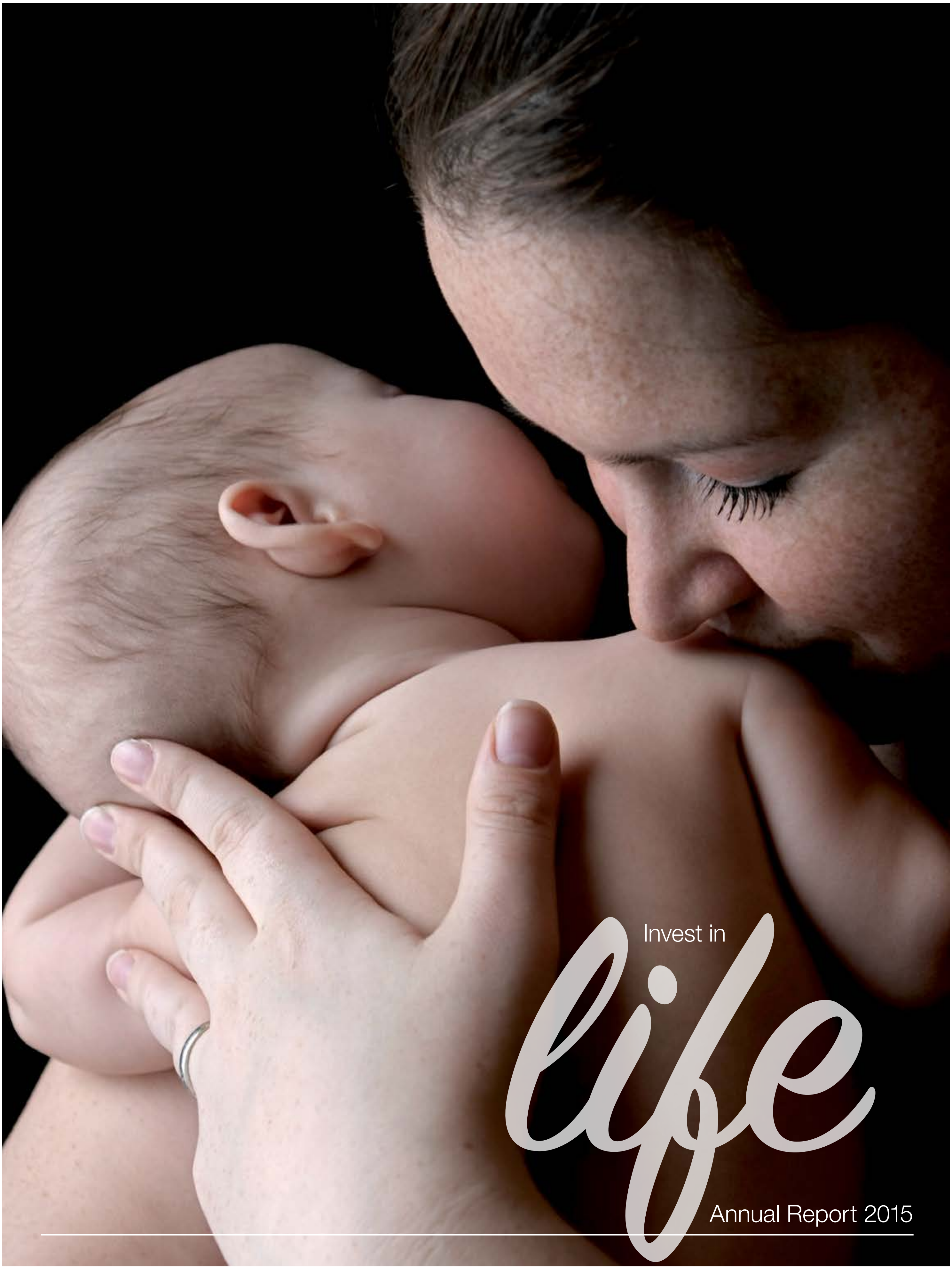

Invest in
life
Annual Report 2015

Strong revenue and earnings in the 2015 financial year resulted from a focus on organic growth and acquisitions. The Group combines evidenced based practice with scientific and clinical innovation and professional holistic care to deliver superior pregnancy outcomes to our patients.

Annual General Meeting

The 2015 Annual General Meeting of Monash IVF Group Limited will be held at Seminar room 2 & 3, Level 7, Monash Conference Centre, 30 Collins Street, Melbourne on Thursday 26 November 2015, 2pm – 3.30pm.

Monash IVF Group Limited (Monash IVF Group, Monash IVF Group Ltd or The Group) is a leader in the provision 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 womens imaging group receiving international recognition for research, science and innovation, helping individuals and families achieve their goal of having a healthy baby.

Contents

84

Fertility Specialists

15

Sonologists

117

Scientific Staff

330+

Support Staff

Focused on exceptional care

22
Fertility Clinics

17
Specialist womens imaging sites

5
Service Centres

2
Day Hospitals

2
Specialised Diagnostic Laboratories

As a leading provider of Assisted Reproductive Services (ARS) and womens imaging services throughout Australia and overseas, our heritage, strength and collective expertise focus on delivering exceptional care to our patients. As we continue to expand both in scale and scope our professional partnership model will yield exceptional results and returns.

MONASH IVF GROUP

Fertility Centres

Since the 1970s Monash IVF has been a driving force in the development of Assisted Reproductive Services (ARS) in both Australia and overseas, offering a complete range of fertility treatment options.

Repromed is a leading fertility treatment and research clinic in South Australia and the Northern Territory, priding themselves on practising a 'small team care' philosophy.

Fertility East is a boutique fertility and IVF Clinic which commenced in June 2006 providing patients with fertility treatment of international standards and excellence.

Since opening their doors in 2005 Next Generation Fertility has been shaped by a group of dedicated fertility professionals with over 23 years' experience as a team.

Reproductive Medicine Albury provide a comprehensive range of fertility treatments to one of Australia's largest regional centres.

Our Reproductive Medicine Wagga facility provides regional Australians vital fertility treatments in regional areas that often lack access to medical treatment.

KL Fertility Centre in Malaysia is a medical establishment devoted exclusively to getting patients pregnant, providing fertility expertise for over two decades.

BUMP offers low cost and low intervention IVF and is designed around the belief that IVF treatment doesn't need to be complex.

MyIVF Clinic opened in Brisbane early 2014. MyIVF provides patients with affordable low intervention fertility treatment.

Womens Imaging Services

MUFW provides a comprehensive tertiary level prenatal diagnostic service. The MUFW team is actively involved in research and education programs whilst remaining committed to best practice patient care.

Sydney Ultrasound for Women (SUFW) is the newest addition to the Monash IVF Group and is Australia's leading tertiary womens ultrasound practice.

Chairman's Report

During the last 12 months following listing on the ASX, James Thiedeman and his team have remained focused on excellence in science and innovation to deliver the highest standard in fertility care and womens imaging in Australia and Malaysia.

The Group's focus has been on organic and acquisitive growth to increase our geographic footprint along with continued investment in clinical research and development.

Our geographic footprint has increased in NSW through the Fertility East and Sydney Ultrasound for Women acquisitions leading to ARS market share growing by 1.8% since 30 June 2014. Our Malaysian business achieved strong revenue growth of 23 percent and we continue to explore suitable acquisition opportunities that are consistent with Monash IVF Group competencies and values.

With regard to science and innovation, the Group launched a leading edge embryo genetic screening technology, "EmbryoScreen", in the second half of FY15 which has underpinned an increase of more than 50% in the uptake of pre-implantation genetic screening versus prior year. A significant increase in non-invasive pre-natal testing (NIPT) is occurring with the acquisition of Sydney Ultrasound for Women in combination with our Monash Ultrasound for Women NIPT service offering. Whilst the growth in usage of these services is pleasing from a business perspective, we recognise the value and the community benefit of these specialised diagnostic services and we are constantly striving to extend our contribution to research and education in the industry to support development in innovation for safe pregnancy outcomes.

Our focus on growth through acquisition has allowed Monash IVF Group to deliver a solid uplift in revenue and earnings.

Monash IVF Group delivered pleasing results in its first year as a listed company with Group revenues increasing 9.6% on prior year. Total Group revenue of $125m increased from $114m in FY14, driven by acquisitions and organic growth.

As a result of below trend overall market growth rates across the sector in FY15 and to a lesser extent a delay in the commissioning of our low intervention clinic in Sydney, our reported revenues for the financial year ending 30 June 2015 were 4% below Prospectus forecast. The Group successfully gained market share in the key geographies it operates in and this, coupled with the contribution from our recent acquisitions, assisted us to declare a fully franked final dividend of 3.7c per share taking total full year dividends to 6.95c.

Normalised net profit after tax (NPAT) for FY15 was $23.3m versus a comparable normalised NPAT of $22.6m in the previous corresponding period. Whilst we faced lower than expected industry growth rates, we delivered normalised NPAT growth of 3.1% confirming the strength of our business model and growth strategy.

It has been an exciting year for the new Board in their first year with Monash IVF Group. There have been no changes to the Board since listing and no changes are anticipated for FY16. The varied skills and experience of our Board members complements the values and ethos of the Group. The hard work of the Board has been considerable and I thank them all for their contribution. I also would like to thank James, his management team and all of the dedicated doctors, nurses, scientists and support staff for their contribution in FY15.

A special thank you also to our external stakeholders and, in particular, our shareholders for their support over the past 12 months.

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

Richard Davis
Chairman
Monash IVF Group

CEO/Managing Director's Report

Monash IVF Group is a leading provider and driving force in the development of Assisted Reproductive Services (ARS) and specialist womens imaging services in Australia and Malaysia.

James Thiedeman
Managing Director and
Chief Executive Officer
Monash IVF Group

With a heritage of more than 40 years of scientific excellence resulting in more than 35,000 babies we have become one of the largest providers of ARS in the world. Based on the ongoing trend of women delaying childbirth and the fertility rate of women over 35 continuing to decrease due to a number of social and demographic factors, we expect demand for ARS and associated imaging procedures will continue to increase.

FY15 was a challenging year for Monash IVF Group with contraction in the overall ARS market in Australia. EBITDA growth was impacted by this lower than anticipated domestic market growth, however the Group has performed solidly despite these challenging market conditions.

We continue to combine innovative research and scientific expertise with best practice clinical care focused on assisting individuals and couples with creating a family.

Overview

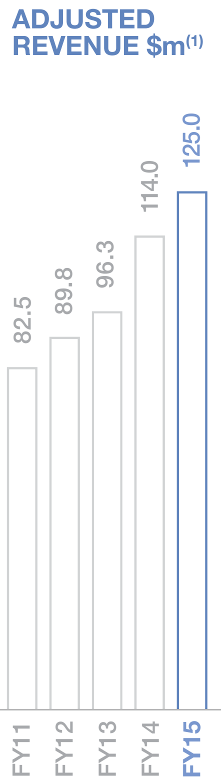
Operationally, it has been an exciting year for us. Delivering on business growth initiatives, as detailed in our Prospectus, the acquisitions in New South Wales of Fertility East in Bondi Junction, Sydney and the Sydney Ultrasound for Women group (SUFW) have galvanised our growth in the New South Wales market.

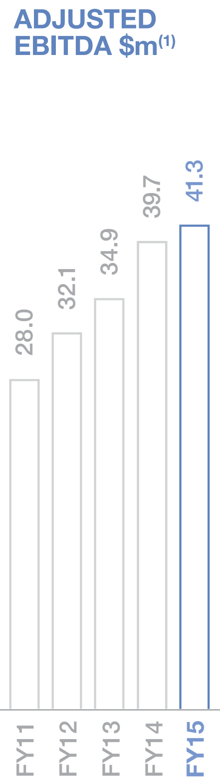
Fertility East has been providing fertility services since 2006 and has a growing niche offering of donor gametes (ie. sperm and eggs). Fertility East brings two further IVF Fertility Specialist doctors into the MVF network, along with a team of highly competent, experienced support staff who are an asset to the broader Group.

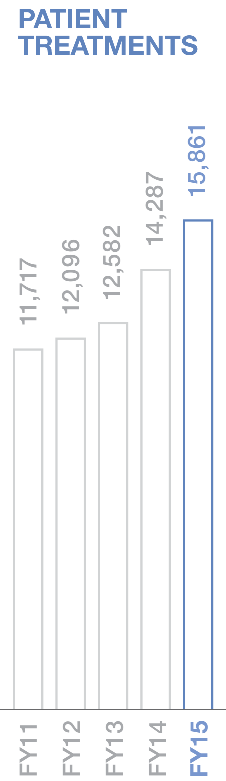
The acquisition of Sydney Ultrasound for Women (SUFW) in June 2015 allows the Group to deliver on our focus to drive growth by capturing accretive, targeted expansion opportunities beyond our core ARS platform.

SUFW is Sydney's leading specialist obstetric and gynaecological ultrasound business, operating eleven practices in the Sydney metropolitan area. The acquisition of SUFW complements the existing Monash Ultrasound for Women business in Victoria and Monash IVF Group's broader strategic focus on women's health.

Financial Highlights







(1) Excludes the effect of discontinued operations, restructuring and acquisition costs, IPO and start-up costs and FY11 goodwill impairment.

These recent additions to our clinic network will enable synergies with our Group and strengthen our strategic focus on womens health and reproductive services. This coupled with ongoing operational efficiencies through increased scale and breadth of service offerings will drive enhanced financial performance.

A major focus for FY15 was the Group's long-standing commitment to investment in science and technology. This was evidenced through an Australian first with the introduction of next generation sequencing for pre-implantation genetic screening and diagnosis offering launched in March 2015.

The Group's "Embryo Screen" technology is amongst the most advanced embryo genetic screening test available in Australia. It offers a new 23 chromosome pair screening procedure that uses sequencing to identify correct chromosome copy numbers and in turn the most suitable embryos for transfer. Embryo Screen allows us to select the most viable embryos and therefore improve the likelihood of achieving a successful pregnancy.

The improvement in pregnancy outcomes resulting from improved evidenced based scientific protocols drives our scientific teams and the investment in development and innovative techniques will continue, backed by our strong research and education culture.

FY15 saw an amalgamation of our research activities across the Group. The Monash IVF Research and Education Foundation (MREF) which was previously underpinned by research activities in Victoria and Queensland, has now expanded to incorporate the exceptional research talents held throughout the rest of the Group including the Repromed clinics and more recently the research undertaken through our growing ultrasound businesses. The union of our world leading research teams reinforces Monash IVF Group as a leader in scientific and clinical innovation driven by a philosophy of "excellence in science". Continued strong affiliations with local universities and training and education programs will further solidify our positioning in scientific and academic excellence.

> "The Group's "Embryo Screen" technology is amongst the most advanced embryo genetic screening test available in Australia."

11%
increase in Patient Treatments

9.6%
increase in Revenue

Our success in science is matched by the enthusiasm and commitment of our staff. The skills and expertise of our scientists, nurses, support staff, and doctors, across our Australian and Malaysian sites provide an environment for patients that is clinically world class but also warm and supportive. Many of our team are long serving staff members and we are proud to have a turnover rate of less than three percent across the Group.

A Best Practice Australia Staff Survey undertaken in 2015 across the Group provided valuable feedback with the majority of staff reporting Monash IVF Group as a “truly great place to work”. The survey also showed staff enjoy the team dynamics in the Group and feel they work in a fair and respectful environment. Some areas for improvement were identified and will be addressed over the course of FY16.

A strong senior management and leadership team have assisted me during the past year, and to them I am grateful. Rodney Fox, in his role as Group CFO and Company Secretary was instrumental in our listing on the Australian Stock Exchange and has guided the finance team throughout the acquisitions during the year. I would like to thank Rodney for his contribution to Monash IVF Group and wish him every success in the future.

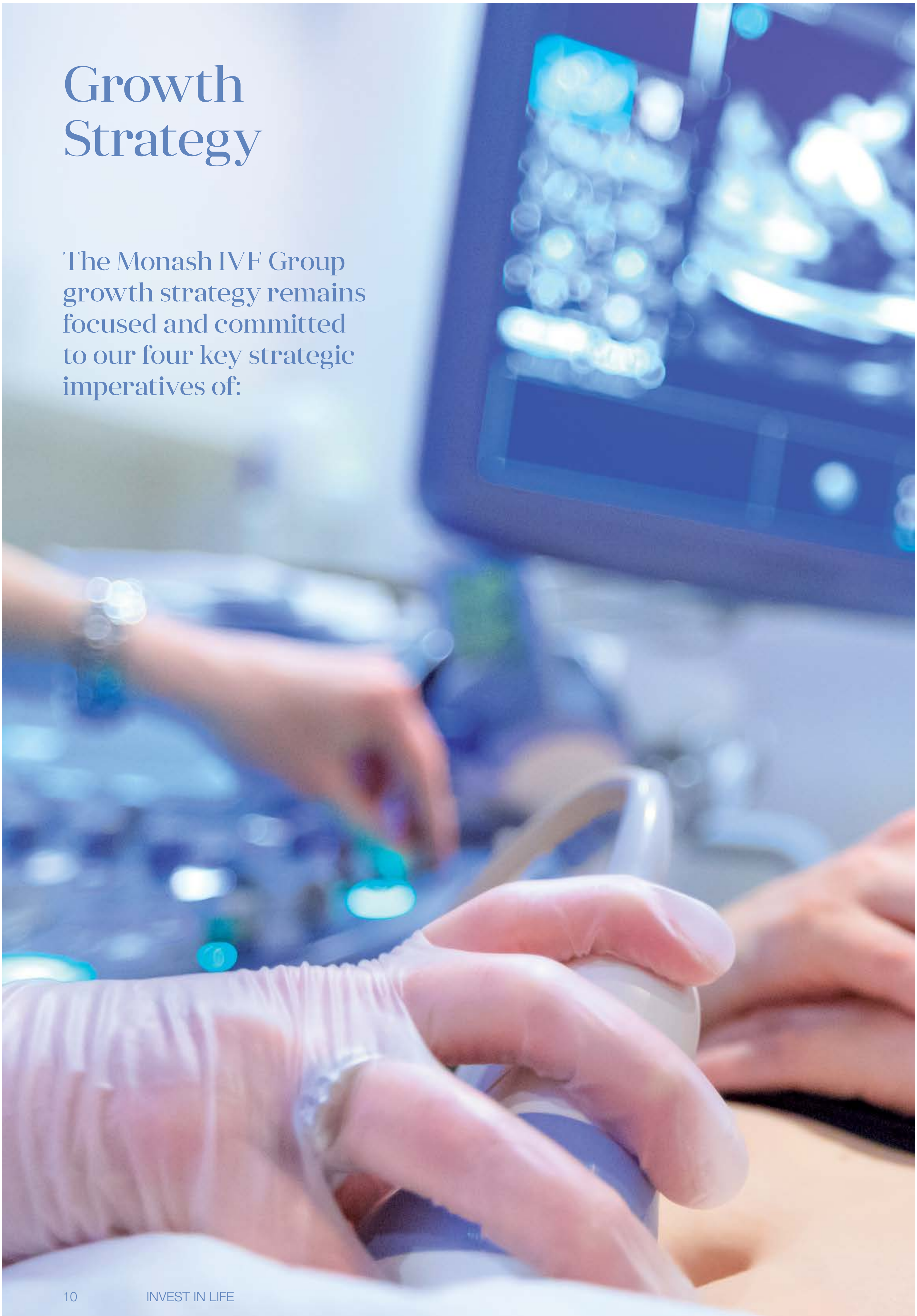
Mr Michael Knaap joined us in September as our new Group CFO and Company Secretary. Michael is an experienced CFO with more than 15 years’ experience in senior finance roles. We welcome Michael to the Monash IVF Group family.

With the increase in our company size following recent acquisitions during the last year, a new Chief Operations Officer (COO) role was created to assist with Group operations management. Dr Michelle Lane, who previously held the role of Chief Scientific Officer, was appointed to the COO role in June. Michelle will work closely with the Senior Management group to pursue growth opportunities through identifying new service delivery models and potential acquisitions.

Finally, I would like to thank all of the dedicated and committed staff at Monash IVF Group. Without your hard work and commitment to our vision and values, we would not be able to achieve the world class outcomes for our patients. I look forward to working with you in the coming year to build on our successes.

Growth Strategy

The Monash IVF Group growth strategy remains focused and committed to our four key strategic imperatives of:



science and technology

organic growth

international growth

network expansion

The Group remains focused on improving pregnancy success rates by 'investing in life' to deliver patients with superior pregnancy outcomes.

Our preeminent science in the field of Pre-implantation Genetic Screening (PGS) will continue to be driven by our team of experienced scientists and researchers committed to evidenced based scientific protocols that are producing world's best practice outcomes. We anticipate the exciting continued expansion in PGS will continue to attract patients, particularly those of a more advanced maternal age or whom have experienced multiple cycle failure, to deliver their dream of having a baby.

As part of our focus on expanding our footprint in Australia, we have opened low intervention clinics in Brisbane and Sydney, to tap into a new market of prospective patients and creating a platform for up referral. Monash IVF Group will continue to assess other suitable locations in appropriate geographies for low intervention rollout in FY16.

As a Group we remain constantly alert to opportunities to increase the Group's network of clinics and market position in both the ARS and ultrasound space in both Australia and abroad (particularly the ASEAN region). We are confident our brand strength, scientific excellence and doctor attraction and retention model will continue to assist us pursue such opportunities.

Monash IVF Group Research

FY15 has been an exciting year for our Monash IVF Group research team with scientific and clinical innovation continuing as a major focus. FY15 has been particularly busy with enthusiastic and innovative contributions from our clinical, embryological and medical imaging staff across the Group who continue to produce quality research and educational programs.

4
Poster presentations at National Conferences and Meetings

11
NHMRC Research grants awarded

1
MREF Research grant awarded

Monash IVF Group has been integral in the field of research ARS for more than 40 years in Australia. This year the Monash IVF Group Research and Education Foundation (MREF), previously a Monash IVF Queensland and Victoria initiative, merged with the formidable research team at Repromed and the University of Adelaide, headed by Dr Michelle Lane, to strengthen the research potential and capability of the Monash IVF Group. This combination with the vibrant research program of our women's imaging groups, has set up the Monash IVF Group as a leader in fertility and reproductive research.

The general focus of Group research is to strive to enhance and develop research programs that combine fundamental science with strong clinical interactions. This commitment to scientific development will ultimately lead to safer and more effective treatments for our patients leading to greater chances of a pregnancy. The research papers and presentations for the last year and our future research directions are outlined in the current MREF report which can be found on the Monash IVF Group website. Our association with the Hudson Institute (formerly MIMR-PHI;(Monash Institute of Medical Research and Prince Henry's Institute of Medical Research) continues and in FY15 saw initiatives focused on continued research to improving the understanding of embryo-endometrial interactions and egg and early embryonic development.

In FY15 the Repromed contingent, working closely within a network of researchers at the University of Adelaide, were responsible for key breakthroughs in genetic screening of embryos. In partnership with the University of Adelaide, in a joint NHMRC Development grant, world leading research continued in non-invasive assessments of embryos, winning several scientific prizes in this area and continuing the ground breaking work in safer and more effective culture methods for human embryos. Repromed's ten year program of partnering with promising PhD students from the University of Adelaide during their studies continues to produce new leaders in science. This rich environment of scientific collaboration enables students to complete their studies, with both strong academic outcomes but critically with real life industry experience. Many of these talented young scientists have remained with the group and are now forging leadership roles with the organisation.

The Group partnership with Monash University's Education Program in Reproduction and Development (EPRD) continues to grow in

9

Presentations at International Conferences and Meetings

24

Presentations at National Conferences and Meetings

reputation. The EPRD recognises that professional development for individual practitioners is an essential undertaking so that the embryology and related staff working in IVF clinics and fertility services are provided with up-to-date knowledge and skills in preparation for their accreditation. The EPRD offers a range of practical workshops and short courses geared to individuals working within the industry and facilitates contemporary teaching by our clinicians and embryologists for both the Diploma and Masters courses.

A further aspect has been medical student research placements at both local and international universities supported by MREF. In FY15 Monash Group representatives undertook challenging research placements at world renowned research universities such as the University of Edinburgh and other international facilities.

Monash IVF Group involvement with the Clinical Observership program continues striving to up skill clinicians in the field of reproductive medicine. Observership positions are limited to one clinician per month, and allow the clinician to observe procedures at Monash IVF and to attend various specialist centres around Melbourne. The individual is given access to Monash University facilities and EPRD's lab facilities. This program has an international reputation and in FY15 facilitated the training with tailor made programs of clinical specialists from Mexico, India and China.

The Group's newly conjoined ultrasound groups consist of several academic clinicians who are very active in research and committed to an evidence-based practice model. Sydney and Monash Ultrasound for Women are undertaking a large joint study in Non Invasive Prenatal Testing in the ART population. Other studies involving pre-eclampsia prediction validation studies for Victorian demographic and broader research studies are being undertaken with the Murdoch Children's Research Institute and other external bodies.

From a Group perspective we are proud of our research and educational reputation and we strive to maintain exceptional standards in research which is supported by both Monash IVF Group and generous independent research grants from industry.

Our international presence at conferences and meetings was again substantial in FY15. Publication of studies and papers following comprehensive contemporary clinical trials by Monash IVF Group representatives further reinforced our position as a world leader in quality research. Monash IVF Group scientists and researchers were awarded several awards at the 5th Congress of the Asia Pacific Initiative on Reproduction (ASPIRE) which was held in conjunction with the FSA Annual Conference in Brisbane this year. We commend scientist Andrea Bensz on receiving the prestigious ASPIRE award for Best Clinical Paper for her work on extended embryo culture and we congratulate scientist Ilona Rose who was awarded Best Clinical Paper for her investigation into the increasingly used 'freeze only' strategy in IVF.

We also congratulate Dr Deirdre Zander-Fox at Repromed who was awarded the Young Tall Poppy Award, an award that recognises South Australia's outstanding young scientific researchers and communicators.

Monash IVF Group pregnancy rates remain amongst the best internationally, driven by our strong commitment to evidence based scientific protocols and research. We are proud of these outcomes that come as a result of the synergies that exist between our research teams, scientists and clinical staff and we look forward to further contributing to the industry with excellence in 'science and care'.

Dr Michelle Lane
Monash IVF Group
Chief Operating Officer
(formerly Chief Scientific Officer)

Prof Rob McLachlan
Monash IVF Research
and Education Foundation Chairman

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 InvoCare and Australian Vintage (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, 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.

Josef has held various senior finance positions with BHP Billiton and served as a non-executive chairman of CSG Limited.

He holds a Bachelor of Commerce from the University of Newcastle and is a Graduate Member of the Australian Institute of Company Directors.

Ms Christina ('Christy') Boyce

Independent Non-executive Director

Ms Christy Boyce joined the Group in June 2014. Christy is also a director of Port Jackson Partners and a non-executive director of Cryosite Limited and Greencross 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.

Management Team

From left to right: James Thiedeman (MD/CEO), Rodney Fox (Group CFO until September 2015), Anthony Gurney (General Manager Ultrasound), Dr Michelle Lane PhD (COO), Tracey Scott (General Manager Victoria), Tom Sexton (General Manager Queensland), Dr Kylie de Boer PhD (General Manager New South Wales), Michael Knaap (Group CFO from September 2015), Hamish Hamilton (General Manager South Australia), Alan Pritchard (Group Chief Information Officer), Miranda Smith (Group Marketing Manager), Amanda Mullins (Business Improvement and Integration Manager), Malik Jainudeen (Financial Controller)



Mr Neil Broekhuizen

Non-executive Director

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

Neil has 20 years of private equity experience with Investcorp and Bridgepoint in Europe and Ironbridge in Australia. Neil has sat on the Ironbridge Investment Committee since inception and also represents the Ironbridge Funds on the Board of Bravura Solutions.

Neil is qualified as a Chartered Accountant and holds a BSC (Eng) Honours degree from Imperial College, University of London.

Mr Benjamin ('James') Thiedeman

Chief Executive Officer

Mr James Thiedeman joined the Group in 2009.

James has spent the last 25 years working in healthcare in both the public and private sectors.

Prior to joining the Group, he was the CEO of Noosa Private Hospital on Queensland's Sunshine Coast and has held senior roles with Ramsay Health Care, Affinity Health, Mayne Health and Health Care of Australia.

Before moving to the private health industry, James held senior policy and planning positions in the public sector.

James holds a Bachelor of Business (Health Administration) from the Queensland University of Technology and an MBA from Griffith University and is a member of the Australian Institute of Company Directors.

Dr Richard Henshaw

Executive Director

Dr Richard Henshaw has practised in the field of reproductive medicine in both the United Kingdom and Australia for the past 21 years.

Richard works as a Fertility Specialist for the Group and is the National Medical Director of Repromed. He previously worked for Monash IVF in Victoria.

Richard has served as Chairman of the IVF Medical Directors of Australia and New Zealand, and also on the Reproductive Technology Accreditation Technical Committee, which reviews the regulatory regime in place in Australia and New Zealand.







Corporate Governance Statement

This statement, approved by the Board, reports on the Group's key governance framework, principles and practices as at 30 June 2015. 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 are committed to maintaining the Group's preeminent status as a leader in the fields of Assisted Reproductive Services (ARS) and specialist womens imaging. This commitment will lead to sustainable growth and shareholder returns. The Board is a strong advocate of good corporate governance and through its fulfilment of these practices and obligations will ensure shareholders are 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 Group undertakings. This includes setting and approving the strategic direction of the Group and to guide and monitor Monash IVF Group management and its businesses in achieving their strategic objectives. The Board is committed to maximising performance through continued investment in all aspects of the business including research, education and innovation in clinical services to improve patient outcomes.

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

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

The Company's Chief Executive Officer and Managing Director, James Thiedeman, has responsibility for day-to-day management of Monash IVF Group Ltd in its entirety. James is supported by a Senior Management Committee which is responsible for implementation of Board directed strategies at an operational level.

The 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 as 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. There have been no new Directors appointed this year.

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 requires police checks for employees and these are updated regularly. Employment contracts require employees to disclose any offences that would result in an adverse police check.

1.4 Company Secretary

Mr Rodney Fox held the role of Company Secretary with Monash IVF Group Ltd. Rodney's role has been 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. Mr Michael Knaap will take on the role of Company Secretary following Rodney's resignation in September 2015 and his appointment was approved by the Board.

1.5 Diversity Policy

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

Monash IVF Group Ltd is a relevant employer under the terms of the Workplace Gender Equality Act 2012 and is compliant with the requirements of the Australian Government Workplace Gender Equality Agency. At 30 June 2015, Monash IVF Group Ltd had 448 staff of which 8% were males. The breakdown of gender is listed in organisational list below:

Organisational Level	Number of Women	% of Women
CEO and Directors	1	17%
Senior Management	7	54%
Team Leader	10	83%
Total Staff (inc above)	**448**	**92%**

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

Monash IVF Group Ltd has in place a Flexible Work Arrangements policy to promote work / life balance and to accommodate family care in line with operational requirements of the business. During FY15, 26 staff utilized the Monash IVF Group Ltd generous parental leave options and the Group Carers Leave provisions of which 89 staff utilised. Flexible hour working arrangements either under formal or informal agreements are widely used across the Monash IVF Group.

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

The Board being relatively new will develop a policy on the respective proportions of men and women on the board, however based on the results of the director performance evaluation the Board currently believe that the gender balance is appropriate.

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

The Group has policies in relation to harassment and discrimination and grievance procedures including independent avenues that employees can pursue. The policies are contained in manuals provided to employees upon commencement and are also available via the company intranet. The Group also offers an employee assistance program that provides counselling services to employees for issues that may impact their work performance.

1.6 Director Performance Evaluation

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

The inaugural review completed by Monash IVF Group Ltd Board was undertaken in May 2015. It involved directors completing a confidential online questionnaire covering aspects outlined in the Board Charter. The results were aggregated and discussed by the Board to inform areas or opportunities for improvement.

Individual review of Board members were undertaken at the end of FY15 by the Chairman. This process allowed for evaluation of contributions made during the previous year and provided the Chair with the opportunity to set development plans and issue specific guidance to individual Directors.

Corporate Governance Statement (cont.)

Principle 1 Lay solid foundations for management and oversight continued

1.7 Senior Executive Evaluations

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

The Chairman of the Board performs the CEO performance review against annual key performance indicators. James Thiedeman's performance was formally reviewed in May 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.

In FY15 a newly established format of review has been used to identify, assess and enhance competencies of senior executives.

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 six directors, three independent and three 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 six 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 were established; the Remuneration and Nomination Committees and the Audit and Risk and committee meetings commenced in July 2014. The Board Charter prescribes that all committee members be Independent Directors.

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

Director	Position	Independent	Appointment date
Mr Richard Davis	Independent Chairman	Yes	4/6/14
Mr Josef Czyzewski	Independent non-executive Director	Yes	4/6/14
Ms Christy Boyce	Independent non-executive Director	Yes	4/6/14
Mr Neil Broekhuizen	Non-executive Director	No – indirect interest due to Ironbridge's interest in 5% of the share capital of Monash IVF Group Ltd	4/6/14
Mr James Thiedeman	CEO and Managing Director	No – CEO and Managing Director	30/4/14
Dr Richard Henshaw	Executive Director	No – Fertility Specialist with Monash IVF Group Ltd	30/4/14

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 three independent Directors of the Board:

- Ms Christy Boyce (Chair)
- Mr Richard Davis
- Mr Josef Czyzewski

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

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

2.2 Board Skill Matrix

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

	Leadership	Experience setting strategy	Business Growth	Experience with Acquisitions	Accounting/ Finance skills	Industry experience
Mr Richard Davis	✓	✓	✓	✓	✓	
Mr Josef Czyzewski	✓	✓	✓	✓	✓	✓
Ms Christy Boyce	✓	✓	✓	✓	✓	✓
Mr Neil Broekhuizen	✓	✓	✓	✓	✓	✓
Mr James Thiedeman	✓	✓	✓	✓	✓	✓
Dr Richard Henshaw	✓	✓	✓	✓		✓

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 Company will provide immediate notification to the market where the independence status of a director changes.

The independence status and length of service of each director is outlined in the table under Principle 2. Whilst 50% of the Board are considered independent, the Board has reviewed the skills and competencies required of the Board and believe that the current Board is appropriately constituted and able to make decisions in the best interest of all shareholders.

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

Corporate Governance Statement (cont.)

Principle 2 Structure of the Board to add value continued

2.3, 2.4 and 2.5 Board Independence continued

of the Board is responsible for overseeing Board dynamics and ensuring all directors contribute effectively and constructively to Group meetings and strategic agendas.

2.6 Director Induction and Professional Development

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

There have not been any new appointments to the Board during the year, however 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 committee and audit Chair met independently of management during 2015.

The current Audit and Risk Committee consists of three 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 Christy Boyce

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

4.2 Financial Statement Approval

Monash IVF Group Ltd CEO, Mr James Thiedeman, and CFO, Mr Rodney Fox, reviewed and verified that the FY15 half year and full year reporting statements as listed in reports to the ASX and shareholders are true and accurate. A declaration to that effect has been signed by both to declare that the financial records have been entered and maintained as per the Corporations Act (2001) accounting standards and they give a fair and true view of the financial position and performance of Monash IVF Group Ltd. Further a detailed questionnaire is completed by senior operational, administrative and financial management attesting to the validity and integrity of the processes that they control prior to the approval of the Financial statements. These questionnaires are reviewed by the Audit and Risk Committee.

4.3 Auditor in attendance at Annual General Meeting

Monash IVF Group Ltd has retained the services of KPMG as an external auditor for the annual independent review of results. The KPMG auditor will be in attendance at the Annual General Meeting (AGM) on 26 November 2015 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 28 October 2014. Shareholders were able to supply questions to the auditor before the AGM via numerous methods as well as being provided with the opportunity to ask questions at the AGM.

Principle 5 Make timely and balanced disclosure

5.1 Continuous Disclosure

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

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

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

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

Principle 6 Respect the rights of security holders

6.1 Communication with Shareholders

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

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

Principle 6 Respect the rights of security holders continued

6.1 Communication with Shareholders continued

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 26 November 2015.

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 Groups share registry provider, Link Market Services.

6.4 Electronic Communication

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

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

The Monash IVF Group Ltd Communications Policy can be located at:
http://ir.monashivfgroup.com.au/Investor-Centre/?page=Corporate-Governance

Principle 7 Recognise and Manage Risk

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

7.1 Audit and Risk Committee

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

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

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

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

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

7.2 Risk Management

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

Recognising the importance of appropriate and timely risk management for the Group, the Board have engaged with an external advisor to review the current risk management framework and tools and use of the same and to work with the Committee and senior management committee to review risk and the management of risk and actual events. This has been a comprehensive body of work that continues to be developed.

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

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

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

The company system of reporting allows for formal reporting of risks or adverse events and near misses. The company framework is compliant with the Audit and Risk Management Committee Charter as found at www.monashivfgroup.com.au/investor-centre/corporate-governance/.

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

7.3 Internal Audit

Monash IVF Group does not have an internal audit function. Certain financial internal controls are tested by KPMG as part of their financial statement audit procedures. The CEO and CFO also have key responsibility in ensuring that internal controls are in place and operating effectively. As part of the various accreditation and licensing processes undertaken by the business key internal audit functions are undertaken. These audits are then made available to accrediting/licensing bodies. The Group believes internal controls implemented such as segregation of duties, delegation processes and structured approval processes are in place to counter many risks. The Group will continue to monitor the need for an internal audit function.

7.4 Risk Exposure

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

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

Principle 7 Recognise and Manage Risk continued

7.4 Risk Exposure continued

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 produced through our treatments. Our assisted reproductive treatment sites in Australia are accredited with the Reproductive Technology Accreditation Committee (RTAC) and we ensure continued appropriate registrations are held by our sites, doctors, nurses and scientists.

This accreditation incorporates components covering ethics and safety in practice and management of adverse events. Our two 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 Malaysian site whilst not legally requiring the same level of approval operates to the same standards having been externally accredited to RTAC standards during the year.

Monash IVF Group laboratories have a formal Quality Management System to review and monitor 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. Suppliers are reviewed and audited annually in a formal process to monitor customer service and compliance. Currently all Monash IVF Group sites use predominantly products from the top two suppliers in lab products supplying to Australia in order to maintain consistency in quality.

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

Monash IVF Group Ltd recognises protecting the environment is a critical issue and a key responsibility of the business and corporate community. With 22 fertility clinics, 17 specialist women's imaging sites, two specialised diagnostic laboratories, two day hospitals and one central administration headquarters we consider our impact environmentally to be minimal. Monash IVF Group is an organisation that is not involved in manufacturing or resource extractions and hence we consider our environmental footprint to be small and we sincerely 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.

With the view to implementing a more efficient technology infrastructure, the Group is currently consolidating data centres with the aim to have four data centres merged into a single tier one data centre by the end of FY2016.

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

Monash IVF Group Ltd recognises our staff are a significant asset to our business and we work with our staff to provide an environment that is open and flexible. Staff have the opportunity to shape standards and quality of care and contribute to our internal policies and processes that aim to provide career expansion, training and development opportunities. Our team of scientists and nurses are supported to develop their own career path supported by Monash Group through education and research sponsorship and professional development funding.

A Best Practice Staff Survey undertaken during FY15 had an outstanding 77% response rate and highlighted that 89% of staff would recommend our clinics for treatment. The surveys were a focus for system improvements in FY15 and beyond and we will work as a team towards addressing the issues the survey highlighted. Staff engagement is also evidenced by a low turnover rate of less than three percent as seen in FY15, consistent with previous years.

Our business operates in accordance with relevant Workplace Health and Safety laws and is committed to training and encouraging staff and Doctors to be vigilant with regard to safety for themselves and our patients. A Group incident reporting structure ensures transparency and appropriate data collection and ensures appropriate corrective actions are undertaken. There were 15 reported incidents in the Group in FY15 with no lost time injuries recorded.

Economic risk continues to be potentially material to Monash IVF Group Ltd. Our services in Australia are funded to a significant extent by the Australian Federal Government and any change to the funding arrangements could lead to a reduced demand for our services affecting financial performance and sustainability of the company. Market contraction and changes to market dynamics as we have seen in FY15 can seriously affect business outcomes and is a risk for the Group. Market competitiveness has heightened for this reason. One area where Monash IVF Group Ltd has been integral in leading the industry has been in advocating for governing bodies to be more transparent in reporting outcomes of treatments to allow patients to be better informed before commencing treatment. Tightening industry standards to ensure policies on consistency of data gathering, outcome reporting and transparency of results to the community will lead to improved outcomes for patients and the industry generally.

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

Principle 8 Remunerate fairly and responsibly

8.1 Remuneration and Nomination Committee

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

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

8.2 Remuneration of executive and non-executive directors

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

Monash IVF Group Ltd remuneration practices for Executive appointments are expanded on in the Remuneration Report.

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

8.3 Equity Based remuneration

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

Financial Information

Contents

Directors' Report

The Directors of Monash IVF Group Limited (the Company) present the financial report of the Company and its controlled entities (collectively 'the Group' or 'Monash Group') for the financial year ended 30 June 2015 and the auditor's report thereon.

Directors

The names of Directors who held office during the financial year of the Company are as follows:

Mr Richard Davis
Mr Josef Czyzewski
Ms Christy Boyce
Mr Neil Broekhuizen
Mr James Thiedeman
Dr Richard Henshaw

Information on the Directors and Company Secretary's experience are outlined on pages 35 and 36. 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) (the most significant component of fertility services) 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 imaging services.

Executive summary

	Consolidated				Prospectus
	2015	2014	Comparative variance		2015
	$'m	$'m		$'m	$'m
Revenue	**125.0**	**114.0**	**up by**	**11.0**	**130.3**
Operating expenditure	(86.2)	(89.5)	down by	(3.3)	(85.1)
Normalised EBITDA(1)(5)	41.3	39.7	up by	1.6	45.1
EBITDA(2)(5)	38.8	24.5	up by	14.3	45.1
NPAT(3)	21.4	4.9	up by	16.5	26.0
Normalised NPAT(4)(5)	23.3	22.6	up by	0.7	26.0
	#	#		#	#
IVF cycles	9,776	8,962	up by	814	10,636
Frozen embryo transfers	6,085	5,325	up by	760	5,927
Total patient treatments	**15,861**	**14,287**	**up by**	**1,574**	**16,563**

(1) Normalised EBITDA excludes start-up, acquisition costs, IPO costs and restructuring costs
(2) Earnings before interest, tax, depreciation and amortisation (EBITDA)
(3) Net profit after tax (NPAT)
(4) Normalised NPAT excludes tax-effected start up and acquisition costs
(5) Non IFRS measure

Executive summary continued

Group Revenue increased by $11.0m (9.6%) as compared to the 2014 financial year. The increase was primarily due to higher Patient Treatments[1] in Monash IVF Group (MVF) Key Markets[2] and acquisitions in New South Wales. Normalised EBITDA increased by $1.6m (4.0%) to $41.3m. Net profit after tax increased by $16.5m whilst normalised NPAT increased 3.1%.

Total Revenue compared to Prospectus was $5.3m or 4.1% lower due to lower than anticipated ARS Key Market growth, delay in BUMP IVF start-up and ramp-up and lower than expected market share growth in South Australia. Normalised EBITDA was $3.8m lower than Prospectus EBITDA largely due to this revenue impact.

For further information on the financial results, refer to the Summary of Financial Results section.

Operations review

The Group is proud of the outstanding pregnancy success rates it has achieved for its patients. Overall pregnancy success rates continue to exceed national averages (based on ANZARD criteria). The Group continues to improve on this through on-going scientific research, commitment to education and training for Doctors and employees and adoption of leading edge techniques. During the 2015 year the Group has introduced world leading technologies for genetic screening of embryos (Next Generation sequencing and Karyomapping). We continue to invest in this growing field of fertility treatment and will see the ongoing benefit of these technologies on our success rates in the forthcoming year. The Group also prides itself on delivering the highest quality care to its patients by both its Doctors and employees.

The Group has delivered on its strategic intent to grow the business both organically and through acquisition.

In September 2014 the Group successfully commenced a further low intervention ARS clinic trading as BUMP IVF in Sydney. BUMP IVF is based on an ethos that IVF treatment shouldn't be complex, couples want open and transparent discussions about fertility issues and the service should be affordable and accessible. BUMP IVF provides patients with an affordable solution to fertility care without compromising on the science or expertise behind the ARS process.

BUMP IVF has performed well in its ability to capture market share and has strong growth indicators that support the decision the Group has made to pursue this model of treatment.

In December 2014 the Group acquired Fertility East an ARS clinic located at Bondi Junction, NSW. Fertility East is a well established clinic with a niche service offering particularly in the area of donor gametes. It has two principal doctors who are well aligned with the Monash IVF Group values. Since acquiring Fertility East we have enhanced the service offering of Fertility East through implementing changes to the scientific processes undertaken in the Fertility East IVF laboratory, leveraged the Group's marketing expertise and obtained synergies at an operational level through alignment with the Group's clinical and laboratory practices.

In June 2015 the Group expanded its presence in the specialist women's imaging field with the acquisition of Sydney Ultrasound for Women based in Sydney, the largest specialist womens imaging service in Australia.

Sydney Ultrasound for Women has a highly regarded group of sonologists and is complementary to the existing Monash Ultrasound for Women business the Group has successfully operated for many years in Melbourne. The combined size places this service well ahead of its competitors.

Women's imaging patients now benefit from a greater range of specialist expertise offered across the Group as well as the benefits that will flow from the results of collaborative research being undertaken by this larger group of specialist doctors. The Group's specialist women's imaging business will derive synergistic benefits from the larger scale of women's imaging services through such measures as being able to more effectively utilise sonologist's time and specific expertise, enhanced training and education opportunities for Doctors and employees and the scale benefits conferred to marketing, supply procurement, administrative and compliance areas.

Doctor numbers have been increased beyond those added by the above acquisitions with the recruitment of additional Doctors to practice at our clinics including the Monash Ultrasound for Women business.

During the course of the year, the Group determined that further benefits for the Group and its stakeholders, including patients, would be achieved through organisation wide alignment of the scientific and commercial aspects of the business. To facilitate this, a recruitment process was undertaken that resulted in Dr Michelle Lane being appointed to the newly created role of Chief Operating Officer (COO) for the Group. The COO role also seeks to create ongoing commercial opportunities through novel, clinically relevant breakthroughs in the ARS field.

1 Based on 13200, 13201, 13202 and 13218 Medicare items

2 Victoria, South Australia, Queensland, Northern Territory and regional market of Albury, New South Wales

Directors' Report (cont.)

Consistent with the vision of scientific excellence and our long standing commitment to education and training we have seen our emerging scientific leaders appointed to key positions in the Group that have arisen from our expansion. The opportunities that Monash IVF Group are able to provide to high calibre scientists means the Group is also able to attract senior scientists from competitors to leadership positions.

Monash Group continues to provide industry leading ARS to its patients through not only the foregoing, but also through its commitment to research and training including collaboration between scientists and doctors, the provision of training places in the Royal Australian and New Zealand College of Obstetricians and Gynaecologist's (RANZCOG) Certificate of Reproductive Endocrinology and Infertility (CREI) subspecialty, and our proprietary information system.

The collective efforts of the Group's Doctors and employees, the commitment to patient care and scientific excellence has seen our market share increase in our key markets of Victoria, South Australia, Queensland and the Northern Territory. However these gains have been offset by a reduction in Patient Treatment volumes across most Australian states for much of the year as well as some loss of market share in South Australia.

The Group has seen volatility in overall industry Patient Treatment growth rates experienced historically. More recently growth has returned to some of the Australian states (South Australia and New South Wales). Based on Medicare data, given general demographics and tracking of lead indicators, we expect that this growth will continue. With the Group's increased market share, continued leading success rates and a Doctor workforce capable of undertaking additional work, we are well positioned to increase Patient Treatments in the future.

As well as risks from market movements as outlined above, the Group operates in a highly regulated environment and has established processes, procedures and policies to ensure compliance with the regulatory environment which operate at a number of levels. This focus on risk management is part of the culture of the Group. The Group also has exposure to significant government funding and advocates widely on issues to mitigate this risk as well as ensuring that its performance continues to encourage government to fund this service.

Summary of financial results

Patient Treatments

	FY2015 Actual	FY2014 Actual	Change %	FY2015 Prospectus Forecast
Monash IVF Group – Australia				
IVF cycles	9,156	8,436	8.5%	10,086
Frozen embryo transfers	5,681	4,952	14.7%	5,525
Total	**14,837**	**13,388**	**10.8%**	**15,611**
Monash IVF Group – International				
IVF cycles	620	526	17.9%	550
Frozen embryo transfers	404	373	8.3%	402
Total	**1,024**	**899**	**13.9%**	**952**
Monash IVF Group				
IVF cycles	9,776	8,962	9.1%	10,636
Frozen embryo transfers	6,085	5,325	14.3%	5,927
Total	**15,861**	**14,287**	**11.0%**	**16,563**

Patient Treatments performed in Australia grew by 10.8% to 14,837 whilst International Patient Treatments grew 13.9% to 1,024. Acquisitions (including full year impact of those acquired in 2014) represent 6.1% of total Patient Treatments whilst lower intervention contributed 2.7% of total Patient Treatments.

Summary of financial results continued

Revenue

	$m	% of 2014 Revenue	Prospectus $m	% of 2015 Prospectus
FY14 – Total Group Revenue	**114.0**			
FY15 – Prospectus Total Group Revenue			**130.3**	
Australia				
Revenue excluding acquisitions				
Market growth (reproductive medicine)	0.9	0.8%	(5.2)	(4.0%)
Market share (reproductive medicine)	2.0	1.8%	(3.6)	(2.8%)
Pricing and mix (reproductive medicine)	0.5	0.4%	0.1	0.1%
Other income	(0.9)	(0.8%)	(0.4)	(0.3%)
Total	**2.5**	**2.2%**	**(9.1)**	**(7.0%)**
Acquisitions				
Acquisitions	7.5	6.6%	3.0	2.3%
Total Australia	**10.0**	**8.7%**	**(6.1)**	**(4.7%)**
Total International	**1.0**	**0.9%**	**0.8**	**0.6%**
FY15 – Total Group Revenue	**125.0**	**9.6%**	**125.0**	**(4.1%)**

Group revenue increased by $11.0m (9.6%) as compared to the 2014 financial year. The increase was primarily due to higher Patient Treatments[3] in Key Markets[4]. The following details key movements in revenue:

- 0.8% Patient Treatment market growth[3] in MVF's Key Markets as compared to the historical growth rate of 4.1%. This market growth increased Reproductive Medicine revenue by $0.9m as compared to the prior year. Victoria, MVF's largest IVF market contracted by 0.8% during the year however, this was offset by growth in the Queensland and South Australian markets.
- 0.7% Patient Treatment market share growth[5] in MVF's Key Markets as compared to FY2014. Reproductive Medicine Revenue increased by $2.0m due to market share growth including market share gains from BUMP IVF (lower intervention offering) in NSW. Encouragingly, South Australian Patient Treatment market share has significantly improved in the second half of the year, but remains below highs experienced in 2014.
- As reported in the 31 December 2014 interim financial report, the proportion of Frozen Embryo Transfers (FET) over total Patient Treatments had increased by 3.2%, having a negative impact on average revenue per Patient Treatment. Since 31 December 2014, this shift to FET has reduced to an increase of 1.1% against the 2014 financial year.
- Other Income reduced by $0.9m due primarily to lower pathology income in South Australia following increased competition in the provision of Anti-Mullerian Hormone (AMH) testing (non-Reproductive Medicine related revenue) and lower day surgery income in South Australia from lost market share in South Australian Patient Treatments.
- Pre-implantation Genetic Screening/Diagnosis (PGS/PGD) volumes grew significantly (51.9%) compared to 2014. In addition, non-invasive pre-natal testing (NIPT) volumes grew by 71.5%.
- Revenue from the Fertility East (acquired 5 December 2014) and Sydney Ultrasound for Women (acquired 17 June 2015) acquisitions and the full year impact from the Next Generation Fertility acquisition (acquired 2 May 2014) contributed an additional $7.5m of revenue.
- International revenues from the Kuala Lumpur Fertility & Gynaecology Centre increased by $1.0m in part due to an additional doctor commencing. Exchange rate movements had a 0.2% positive impact on total revenue.
- Average revenue per Patient Treatment decreased by 1.3%. Price increases across existing businesses were more than offset by the impact of Patient Treatment mix, lower prices charged by businesses acquired, ramp up of lower intervention services, higher growth rates in International segment and competition impacts on non-ARS income.

3 Based on 13200, 13201, 13202 and 13218 Medicare items
4 Victoria, South Australia, Queensland, Northern Territory and regional market of Albury, New South Wales
5 Based on 12 month average to 30 June 2015 compared to comparable year

Total Revenue was $5.3m lower than FY15 Prospectus Revenue. This was due to the following:

- Patient Treatment growth was 4.0% lower than anticipated with Victoria, MVF's largest ARS market, contracting during the year.
- Lower than expected market share recovery in South Australia, notwithstanding market share grew significantly in the 2nd half of the year. This was partly offset by market share gains in Victoria and Queensland.
- Delay in commissioning of the BUMP IVF clinic in Sydney resulting in a slower ramp-up.
- Lower non-ARS income primarily due to market share losses in South Australia.

Expenditure before interest and tax

The table below provides a summary of Expenditure before interest and tax during the year compared to 2014.

	2015 $m	2014 $m	Change %
Employee benefits expense	33.9	29.7	14.1%
Clinicians fees	19.1	17.5	9.1%
Raw materials and consumables used	13.0	11.4	14.0%
IT and communications expense	3.2	2.7	18.5%
Property expense	6.3	5.4	16.7%
Marketing, advertising and public relations expense	4.2	3.5	20.0%
Professional and other fees	2.0	2.4	(16.7%)
Other expenses	1.9	1.7	11.8%
Total	**83.7**	**74.3**	**12.7%**
% of Group revenues	67.0%	65.2%	
Start-up & acquisition costs	2.5	0.0	N/a
Pre-IPO restructure costs & discontinued operations	0.0	2.9	N/a
IPO transaction costs	0.0	12.3	N/a
Total expenditure before depreciation & amortisation(1)	**86.2**	**89.5**	**(3.7%)**
Depreciation & amortisation	3.4	2.9	17.2%
Total expenditure before interest and tax(1)	**89.6**	**92.4**	**(3.0%)**
% of Group revenues	71.7%	81.1%	

(1) Non IFRS measures

Key highlights of expenditure movements against 2014 are as follows:

- Employee benefits expense increased by 14.2% against 2014. Of the increase, 9.2% was from acquisitions, 3.8% from start-up businesses, approximately 3.0% general wage increases partly offset by FTE reductions in certain jurisdictions.
- Clinician fees increased by 9.1%. The increase reflects movements in Reproductive Medicine Revenue and Patient Treatments volumes. As compared to 2014, clinician fees increased by 6.2% from acquisitions and 2.2% from lower intervention services.
- Raw materials and consumables increased largely in line with Total Revenue.
- IT & Communications expense increased by 18.5%. Of the increase, 11.3% was due to acquisitions and 2.7% due to expanded lower intervention services. Further increases reflect consumer price index adjustments.
- Property expenses increased by 16.7%. Acquisitions accounted for 14.2% of the increase whilst lower intervention services contributed 4.5% of the increase.
- 20.0% increase in Marketing, Advertising and Public Relations expense attributable to acquisitions (8.2%) and increased digital marketing and discretionary costs in Key Markets.

Summary of financial results continued

Expenditure before interest and tax continued

- Prior period restructuring costs and discontinued operations relate to restructuring activities performed in October 2013 in preparation for the IPO and hospital and property businesses disposed in FY2013.
- Start-up & acquisition costs reflect BUMP IVF start-up costs ($0.9m) being cost incurred prior to opening the service and Fertility East and Sydney Ultrasound for Women acquisition costs ($1.6m).
- IPO transactions costs relate to expenditure incurred on IPO related activities in 2014.
- Depreciation and amortisation is $0.5m higher than 2014. The increase is primarily due to depreciation at acquired clinics and capital expenditure on lower intervention services and is in line with Prospectus.

Net interest expense

Net interest expense reduced by $18.8m (80.0%) compared to 2014. The reduction is primarily due to the change in capital structure whereby certain debt instruments were converted to equity or repaid.

Taxation

The effective tax rate is 30.4%. The effective tax rate is higher than the jurisdiction tax rates in Australia and Malaysia due to the non-deductibility of certain SUFW acquisition costs.

Statement of financial position

	2015 $m	2014 $m	Variance %
Current assets			
Cash	10.0	8.8	13.6%
Other current assets	6.8	5.7	19.3%
Total current assets	**16.8**	**14.5**	**15.9%**
Non-current assets			
Intangible assets	250.6	219.7	14.1%
Other non-current assets	16.4	12.1	35.5%
Total non-current assets	**267.0**	**231.8**	**15.2%**
Total Assets	**283.8**	**246.3**	**15.2%**
Current liabilities	**32.2**	**24.2**	**33.0%**
Non-current liabilities			
Borrowings	106.3	95.5	11.3%
Other non-current liabilities	1.3	1.8	(27.8%)
Non-current liabilities	**107.6**	**97.3**	**10.6%**
Total Liabilities	**139.8**	**121.5**	**15.1%**
Net Assets	**144.0**	**124.8**	**15.4%**

The current asset deficiency as compared to 2014 has increased to $15.4m (2014: $9.7m). The increase is not attributable to operations but has been impacted by the following:

- $11.0m net voluntary repayments of external borrowing during the year;
- $3.0m initial cash consideration for Fertility East acquisition funded from existing cash reserves; and
- $3.0m Sydney Ultrasound for Women deferred consideration recognised as a current liability.

Directors' Report (cont.)

The Group is able to continue as a going concern despite the current asset deficiency due to the forecast future generation of operating surpluses, an additional $28.2m of committed but undrawn external debt and certain liabilities that will not be fully realised in the short-term to cause a liquidity risk.

Total borrowings have increased to $106.8m from $96.0m due primarily to $21.8m borrowings for the Sydney Ultrasound for Women acquisition partly offset by $11.0m voluntary debt repayments. $28.2 million of headroom remains available under existing facilities as at 30 June 2015 and the Group is compliant with its' borrowing covenants.

Statement of cash flows

	2015 $m	2014 $m	Variance %	Prospectus $m
Net operating cash flow	**40.1**	**37.7**	**6.4%**	**45.5**
Purchase of property, plant & equipment	(5.5)	(3.8)	(44.7%)	(4.9)
Net interest paid	(5.5)	(39.7)	86.1%	(4.4)
Income tax paid	(4.1)	(1.5)	(173.3%)	(4.2)
Free cash flow[1]	**25.0**	**(7.3)**	**442.5%**	**32.0**
(Payments)/proceeds for issue of share capital	(3.3)	301.0	(101.1%)	0.0
Net increase / (decrease) in borrowings	10.8	(84.9)	112.7%	0.0
Dividend paid	(7.5)	(26.2)	71.4%	(8.3)
Purchase of businesses	(23.8)	(10.1)	(135.6%)	(0.4)
IPO Restructuring	0.0	(204.4)	100.0%	0.0
Net movement in cash	**1.2**	**(31.9)**	**103.8%**	**23.3**

(1) non IFRS measure

Key cash flow highlights are as follows:

- Net operating cash flow largely reflects normalised EBITDA. EBITDA conversion to cash flow is 97%, an improvement against prior period due to the high level of pre-paid income received from patients at 30 June 2015 compared to 30 June 2014.
- Purchase of property, plant & equipment includes BUMP IVF set-up costs, a new clinic in Wagga Wagga, rollout of a propriety clinical information system, replacement of ultrasound machines and other laboratory equipment.
- Net interest paid includes $0.9m non-resident withholding tax paid in 2015 relating to pre-IPO obligations settled in 2014.
- Payments for issue of share capital relate to IPO costs from June 2014 paid this financial year.
- Purchase of businesses reflects Fertility East and Sydney Ultrasound for Women initial cash consideration, deferred consideration on the Reproductive Medicine Albury acquisition less acquisition costs paid and working capital adjustments.
- Net borrowings includes $21.8m borrowed for Sydney Ultrasound for Women acquisition offset by $11.0m net voluntary repayments.

Outlook

Underlying fundamentals for ARS and specialist women's imaging services remain strong. Monash IVF Group is well placed to continue as a key provider of these services in Australia with leading success rates and a well respected doctor group. Our International segment continues to grow at a rate greater than the domestic business. We will continue to pursue opportunities to acquire ARS businesses in various jurisdictions that will benefit from the science, reputation and scale of Monash IVF Group as well as pursue further expansion of our specialist womens imaging business.

Summary of financial results continued

Significant changes in state of affairs

Acquisitions

The Company through its subsidiaries has established a track record for expanding its clinic network through acquisitions and new clinic openings. During the year, Fertility East and SUFW were acquired. The acquisitions have enabled the Group to expand its business further into New South Wales. The SUFW acquisition complements the existing IVF business and provides greater diversification in the Group.

Matters subsequent to the end of the financial year

On 27 August 2015, 1,527,926 shares released from escrow following the retirement of a doctor.

On 28 August 2015, a fully franked dividend of 3.70 cents per share was declared. The record date for the dividend is 11 September 2015 and the payment date for the dividend is 15 October 2015.

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.

Director meetings

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

	Monash IVF Group Limited	
	Attended	**Held**
Mr Richard Davis *(Chair)*	15	15
Mr Josef Czyzewski	15	15
Ms Christy Boyce	15	15
Mr Neil Broekhuizen	12	15
Dr Richard Henshaw	13	15
Mr Benjamin ('James') Thiedeman	15	15

Information on directors

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 InvoCare and Australian Vintage (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, Richard worked in venture capital and as an accounting partner of Bird Cameron.

Richard holds a Bachelor of Economics from the University of Sydney.

Mr Josef Czyzewski

Independent Non-executive Director

Chair of Audit & Risk Management Committee

Member of Remuneration & Nomination Committee

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

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

Josef has held various senior finance positions with BHP Billiton and served as a non-executive chairman of CSG Limited.

He holds a Bachelor of Commerce from the University of Newcastle and is a Graduate Member of the Australian Institute of Company Directors.

Ms Christina ('Christy') Boyce

Independent Non-executive Director

Chair of Remuneration & Nomination Committee

Member of Audit & Risk Management Committee

Ms Christy Boyce joined the Group in June 2014. Christy is also a director of Port Jackson Partners and a non-executive director of Cryosite Limited and Greencross 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

Non-executive Director

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

Neil has 20 years of private equity experience with Investcorp and Bridgepoint in Europe and Ironbridge in Australia. Neil has sat on the Ironbridge Investment Committee since inception and also represents the Ironbridge Funds on the Board of Bravura Solutions.

Neil is qualified as a Chartered Accountant and holds a BSC (Eng) Honours degree from Imperial College, University of London.

Mr Benjamin ('James') Thiedeman

Chief Executive Officer

Mr James Thiedeman joined the Group in 2009.

James has spent the last 25 years working in healthcare in both the public and private sectors.

Prior to joining the Group, he was the CEO of Noosa Private Hospital on Queensland's Sunshine Coast and has held senior roles with Ramsay Health Care, Affinity Health, Mayne Health and Health Care of Australia.

Before moving to the private health industry, James held senior policy and planning positions in the public sector.

James holds a Bachelor of Business (Health Administration) from the Queensland University of Technology and an MBA from Griffith University and is a member of the Australian Institute of Company Directors.

Dr Richard Henshaw

Executive Director

Dr Richard Henshaw has practised in the field of reproductive medicine in both the United Kingdom and Australia for the past 21 years.

Richard works as a Fertility Specialist for the Group and is the National Medical Director of Repromed. He previously worked for Monash IVF in Victoria.

Richard has served as Chairman of the IVF Medical Directors of Australia and New Zealand, and also on the Reproductive Technology Accreditation Technical Committee, which reviews the regulatory regime in place in Australia and New Zealand.

Company Secretary

Mr Rodney Fox was appointed to the role of Group Chief Financial Officer (CFO) in July 2011 and Company Secretary on 4 June 2014. Rodney is a Chartered Accountant and holds an MBA from the Australian Graduate School of Management. Rodney is experienced in the health and aged care sectors including five years as CFO and joint Company Secretary of a large unlisted public not-for-profit healthcare provider. Rodney also spent time as a senior manager at Deloitte, which included positions in Sydney, London and Thailand.

Mr. Rodney Fox resigned in June 2015 and will cease employment on 4 September 2015. Mr. Michael Knaap has been appointed as CFO and Company Secretary and will commence duties on 31 August 2015.

Remuneration Report – Audited

The Company's Directors present the 2015 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 2015 ("FY15"). 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, who have authority and responsibility for planning, directing and controlling the activities of Monash IVF.

Introduction

The Board believes management should be rewarded for driving the financial and clinical performance of existing Monash clinics as well as undertaking judicious merger and acquisition to expand Monash's footprint domestically and internationally. The company's remuneration philosophy, policy and practices reinforce this. The structure of our KMP remuneration is intended to support an ownership culture through a relatively high proportion of total remuneration at risk. Fixed remuneration sits at or below industry benchmark. A higher proportion of remuneration is at risk relative to industry peers.

Monash IVF listed on 26 June 2014. In our first year as a publicly listed company, we have continued to grow our market presence while facing challenging market conditions. While we have modestly grown share and continued to expand our footprint, the IVF industry growth has underperformed relative to historical growth rates. Industry growth rates have been relatively volatile historically and this is within the range of normal variation.

Given market growth below historical levels and the consequential impact on financial performance, realised remuneration in FY15 has been limited to base pay. The quantitative tranche of the STI grant was dependent on the achievement of target EBITDA. Given this target was not met, the Board and management have agreed no STI award will be made. This is despite substantial achievements in non-financial areas.

FY15 has also seen a restructuring of the senior management team, the new role of Chief Operating Officer ("COO") was created on 29 May 2015 and a new Chief Financial Officer ("CFO") will join the Group on 31 August 2015. These two individuals will be eligible for an LTI grant in the FY16 financial year based on 3 year relative Total Shareholder Return ("TSR") and Earnings Per Share ("EPS") performance. EPS targets will be set with reference to historic growth rates and market expectations.

The LTI plan defined at the time of the IPO for the Chief Executive Officer ("CEO") and CFO was put in place to provide a foundation for an ongoing LTI plan, and to recognise the significant contribution of the CEO and CFO in the years leading up to the IPO. That LTI plan related to the FY15-17 performance period. The LTI plan remains in place for the CEO but has been forfeited by the departing CFO.

It is anticipated the CEO, new CFO and COO will participate in a revised rolling annual LTI grant from FY16 onward. A number of additional enhancements to the incentive structure are planned for FY16 including a more graduated vesting scale for both STI and LTI.

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

1.0 Remuneration Snapshot

1.1 Remuneration Governance

The Board is ultimately responsible for remuneration decisions. To assist the Board's governance and oversight of remuneration, this is delegated to the Remuneration and Nomination Committee. 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.

Directors' Report (cont.)

The Committee is composed of the three 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. During FY15, the Remuneration and Nomination Committee met five times with full attendance by all members. The Remuneration and Nomination Committee may invite the CEO and CFO/Company Secretary to attend Committee meetings to assist in deliberations (excluding matters relating to their own employment). The CEO was present at all discussions except those where there may have been a conflict of interest.

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 FY15.

The Committee is responsible for reviewing and making recommendations to the Board with respect to the following issues:

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

The Remuneration and Nomination Committee Charter is available on the Company's website at http://ir.monashivfgroup.com.au/Investor-Centre/?page=Corporate-Governance. The Charter is reviewed annually and was last reviewed in August 2015. Further information on the Remuneration and Nomination Committee is provided in the Corporate Governance Statement in this Annual Report.

1.2 Principles used to determine the nature and amount of remuneration

The executive remuneration framework is designed to:

- Assist in attracting and retaining exceptional people, rewarding both capability and experience
- Reward delivery of superior long term value to shareholders
- Recognise both financial and non-financial drivers of economic value
- Align management incentives with long term value creation for shareholders
- Allow clear and transparent disclosure of remuneration arrangements of relevant employees to the market
- Provide fair and consistent remuneration across the Group consistent with corporate values and principles

The absolute level of reward and the performance triggers that accompany it are designed to:

- Offer rewards, benefits and conditions that are competitive and reasonable
- Achieve an appropriate balance between the fixed and variable component
- Link payment of the variable component to the achievement of superior performance outcomes and delivery of shareholder value

The Group's performance metrics are also designed to support:

- Continued profitable development and expansion of the business in the context of judicious capital management
- Delivery of safe, high quality clinical care for its patients
- Maintenance of a safe working environment for its people
- Effective and appropriate engagement with Government and regulatory bodies
- Effective communication and engagement with its shareholder base.

Remuneration Report – Audited continued

2.0 Remuneration Policy

2.1 Executive remuneration policy

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

- Fixed annual remuneration including base pay, superannuation and leave entitlements
- Short term incentives
- Long term incentives

As outlined in the introduction, the structure of our KMP remuneration is intended to support an ownership culture through a relatively high proportion of total remuneration at risk. Fixed remuneration for KMP's sits at or below industry benchmark. A higher proportion of remuneration is at risk relative to peers. The Remuneration structure is designed so that there is an appropriate mix of fixed and variable rewards commensurate with the level of accountability for each role.

The Group's remuneration framework for FY15 for the CEO and CFO has three components, two of which vary with performance. The COO role was created in May 2015 so this role was not eligible for an STI or LTI in the FY15 financial year. The COO will be eligible for both an STI and LTI in the FY16 financial year.

Executives below KMP, were eligible for an STI in FY15.

A summary is provided below:

Executive Remuneration Framework

Total Fixed Remuneration (TFR)

Comprises:

- Cash salary;
- Salary sacrifice items; and
- Employer Superannuation contributions in line with statutory obligations.

TFR is determined on the basis of market rates (where applicable) and 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 Incentives (STI)

- Budgeted EBITDA
- Specific Business Unit EBITDA
- Up to 50% of STI is at risk if certain qualitative measures are not achieved.

Long Term Incentives (LTI)

EPS Hurdles	TSR Hurdle
EPS Hurdles based on Pre-defined growth rates over 3 year period.	TSR Hurdle based on Group's relative TSR performance against peer group.

Comprise of share appreciation rights which vest if the EPS and TSR Hurdles over a three-year performance period are achieved.

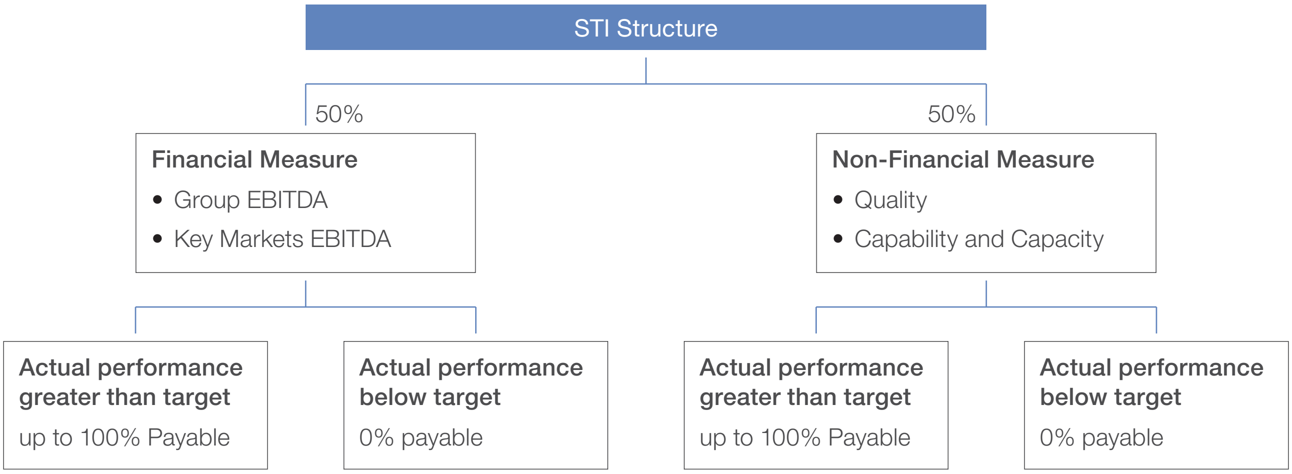
LTIs are designed to retain and align their performance with the shareholders and support the Group's long-term strategy.

Total fixed annual remuneration

Total fixed remuneration (TFR) consists of base remuneration (which is calculated on a total cost basis) as well as non-monetary benefits and superannuation. Remuneration levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers individual, segment and overall Group performance. Remuneration is also reviewed on promotion, however there are no guaranteed increases in base pay or superannuation included in executive contracts. KMP TFR sits at or below median for companies of similar size.

Short-term incentives

Short term incentive plan overview:



The Group's STI for executives aims to reward the achievement or execution of financial measures whilst linking STI's to clinical outcomes, market share outcomes, employee and Fertility Specialist engagement. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) is normalised and compared to budget EBITDA to assess achievement.

In FY16, the alignment of incentives will be further improved by introducing the concept of stretch in the STI and adopting a more graduated vesting scale for both the STI and LTI.

Long-term incentive plan

The company has two long term incentive schemes:

- Senior Executive LTI
- Fertility Specialist LTI

Mr James Thiedeman (CEO) and the CFO are eligible to participate in the Senior Executive Plan. Dr Michelle Lane, (COO) will become eligible to participate in the Senior Executive Plan, whilst Dr Richard Henshaw (Executive Director) will be eligible to participate in the Fertility Specialist plan.

Both schemes 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.
- 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.

Remuneration Report – Audited continued

2.0 Remuneration Policy continued

2.1 **Executive remuneration policy** continued

Long-term incentive plan continued

- In the event of any reorganisation of the issued ordinary capital of the Company before the exercise of an award, the number of shares attaching 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 current Senior Executive LTI:

LTI Structure

Options granted

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

Vesting Framework
The TSR component of the allocation will be measured at the end of the 3 year performance period relative to a peer group of comparable companies. No options will vest below the 50th percentile whilst a certain number of rights will vest above the 50th percentile.

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

Vesting Framework
The EPS component of the allocation will be measured at the end of the 3 year performance period. Options will vest on the basis of the prescribed hurdles being met.

The CEO and CFO were granted 800,000 and 200,000 options respectively on 30 July 2014 on the terms described below. The applicable performance period for these options is FY2015 to FY2017. They did not pay any money to be granted those options, and there will be no loan from the Company for the acquisition of shares upon vesting of the options. This grant is more substantial than the rolling annual grants that will be implemented from FY16 onwards, reflecting the significant contribution of these executives towards the IPO and that no other share allocation occurred at the time of the IPO.

The LTI plan is a performance rights plan 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 EPS Hurdles and a 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. The senior executive options granted include terms which provide that, on vesting and following payment of the exercise price, each option is exercisable into one Share (subject to adjustments in accordance with the ASX Listing Rules for certain capital actions). These options were granted in two tranches, with each tranche subject to separate vesting conditions based upon external measures as follows:

Earnings Per Share. The hurdle for 50% of the options is based on an earnings per share hurdle which measures the compound growth in the Company's earnings per share ('EPSG') over a three year period. No vesting occurs up to a threshold level of EPSG and then vests directly proportionally between the threshold and a stretch target. Retrospective disclosure on the thresholds and stretch targets will be provided at the end of the performance period.

Relative Total Shareholder Return. The hurdle for the other 50% of the options is based on the Company's total shareholder return ('TSR') relative to a peer group of ASX listed companies determined by the Board over the three year performance period. In respect of this tranche, no options will vest if the TSR performance is less than the 50th percentile, 50% will vest at median (i.e. the 50th percentile). TSR performance and vesting thereafter will be determined on a straight line scale, with 100% vesting if the TSR performance is greater than or equal to the 75th percentile. TSR growth is calculated based on the closing Share price, adjusted for dividends and capital movements, as at the start of the performance period and the end of the performance period. The Board has exercised its discretion to expand the definition of the relevant peer group to encompass a broader set of listed healthcare service providers.

The performance hurdles for each tranche of options are independent, and it is possible for one tranche to vest even if the other does not. In each case, the performance hurdles will only be measured once and there will be no retesting. The expiry date of the options will be on the fifth anniversary of their grant. The options will be delivered as share rights with associated disposal restrictions. No value will be received if the performance hurdles are not met and the options do not vest.

Given the departure of the current CFO early in FY16, his options will be forfeited.

FY15 has seen a restructuring of the senior management team, the Company created the new role of COO on 29 May 2015 and a new CFO will join the Company in September. These two individuals will be eligible for a LTI grant in the FY16 financial year based on 3 year relative TSR and EPS performance. EPS targets will be re-set to provide additional stretch, in line with investor feedback. It is anticipated the CEO, CFO and COO will participate in rolling annual LTI grants going forward. The Board is in the process of redefining the reference peer group for the FY16 grant.

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.

Doctors LTI programme

The Remuneration and Nomination Committee has developed a long-term incentive plan for Fertility Specialists including those considered as KMP. This program will be implemented for FY 2016. The plan is intended to reward:

- Growth in number of full service fresh cycles above a minimum level and maintenance of that growth.
- Achievement of an absolute number of fresh cycles above a threshold for high volume doctors.

Participation in these schemes will require continued professional development and professional collaboration with Monash IVF.

Dr. Richard Henshaw, an Executive Director, will be eligible to participate in the Fertility Specialist LTI given his role as a fertility specialist.

2.2 Non-executive Director (NED) remuneration policy

Under the constitution, the Directors decide the total amount paid to all Directors as remuneration for their services as Directors. However, under the ASX Listing Rules, the total amount paid to all Directors for their services must not exceed in aggregate in any financial year, the amount fixed by the Company in a general meeting. This amount has been fixed by the Company at $750,000. For the 2015 financial year, the fees payable to the current NEDs are $420,000 in aggregate. The Board has determined that Directors fees will not increase in FY16.

Role	$
Base fees	
Chair	130,000
Other non-executive directors	80,000
Additional fees	
Audit & risk committee – chair	15,000
Audit & risk committee – member	7,500
Remuneration & Nomination committee – chair	10,000
Remuneration & Nomination committee – member	5,000

Remuneration Report – Audited continued

3.0 Executive and Non-Executive remuneration

3.1 Remuneration Summary

The Executive Remuneration outcomes for FY15 for the CEO and KMP Executives reflect the performance outcomes achieved over the year.

Executive	Component	Commentary
CEO	Fixed Remuneration	$401,700 per annum (effective 1 July 2014). This is comparable with peer companies taking into account the changes in the Company's relative size. This sits below market median for company's of comparable size.
	Short Term Incentives	The CEO has the opportunity to earn an annual incentive up to 75% of his fixed remuneration package based on meeting certain defined criteria. The FY15 STI criteria was subject to both financial (50%) and non-financial (50%) outcomes. The financial measures include meeting the Group EBITDA as detailed in the 2014 Prospectus as well as organic growth in certain key markets. Non financial measures include clinical outcomes, employee engagement and Fertility Specialist recruitment and retention. Given EBITDA target was not met, it was agreed by both the Board and the CEO that no STI be payable in FY15, although certain qualitative may have been met.
	Long term incentives – Options	800,000 Options were issued to the CEO on 30 July 2014. These Options vest after three years from grant date, subject to meeting certain EPS and TSR outcomes. No rights were eligible to vest during 2015.
	Notice period	6 months
	Term of agreement	No fixed term
CFO	Fixed Remuneration	Fixed remuneration of $297,950 per annum for the CFO was benchmarked against industry peers and reflects the market for the role and relative size of the Company.
	Short Term Incentives	The CFO has the opportunity to earn an annual incentive up to 20% of his fixed remuneration package based on meeting certain defined criteria. The FY15 STI criteria was subject to both financial (50%) and non-financial (50%) outcomes. The financial measures include meeting the Group EBITDA as detailed in the 2014 Prospectus as well as organic growth in certain key markets. Non financial measures include financial reporting, risk and debt management, and integration. Given EBITDA was not met, it was agreed by both the Board and the CFO that no STI be payable in FY15, although certain qualitative measures may have been met.
	Long term incentives – Options	200,000 Options were issued to the CFO on 30 July 2014. These Options vest after three years from grant date, subject to meeting certain EPS and TSR outcomes. No options were eligible to vest during 2015. These options will be forfeited given the incumbent CFO's departure in early FY16.
	Notice period	3 months
	Term of agreement	No fixed term

Executive	Component	Commentary
COO	Fixed Remuneration	Fixed remuneration of $293,083 per annum for the COO was benchmarked against industry peers and reflects the market for the role and relative size of the Company.
	Notice period	2 months
	Term of agreement	No fixed term
Executive Director	Fixed Remuneration	Fixed remuneration of $362,313 per annum for the Executive Director was benchmarked against industry peers and reflects the market for the role and relative size of the Company.
	Notice period	6 months
	Term of agreement	No fixed term

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 executive 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
Executive Directors		
Mr. Benjamin Thiedeman	CEO	Full Financial Year
Dr. Richard Henshaw	Executive Director	Full Financial Year
Other KMP		
Mr. Rodney Fox	CFO	Full Financial Year
Dr. Michelle Lane	Chief Operating Officer	29 May to 30 June 2015

Remuneration Report – Audited continued

3.0 Executive and Non-Executive remuneration continued

3.2 Details of remuneration for Key Management Personnel continued

Key Management Personnel ("KMP") continued

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

2015

	Short term employee benefits				Post employment benefits			Share based payments	
Name	Salary & fees	STI Cash bonus	Non-monetary benefits	Total	Superannuation benefit	Other long-term benefits	Termination benefits	Rights	Total
	$	$	$	$	$	$	$	$	$
Non-executive Directors									
Mr Richard Davis	130,137	–	–	130,137	12,363	–	–	–	142,500
Mr Josef Czyzewski	91,324	–	–	91,324	8,676	–	–	–	100,000
Ms Christina Boyce	89,041	–	–	89,041	8,459	–	–	–	97,500
Mr Neil Broekhuizen (1)	80,000	–	–	80,000	–	–	–	–	80,000
Total non-executive Directors	**390,502**	**–**	**–**	**390,502**	**29,498**	**–**	**–**	**–**	**420,000**
Executive Directors									
Mr Benjamin Thiedeman	377,998	–	–	377,998	25,000	–	–	36,056	439,054
Dr Richard Henshaw	344,214	–	–	344,214	18,099	–	–	–	362,313
Total executive Directors	**722,212**	**–**	**–**	**722,212**	**43,099**	**–**	**–**	**36,056**	**801,367**
Other key management personnel									
Mr Rodney Fox	272,945	–	–	272,945	25,000	–	–	–	297,945
Dr Michelle Lane (2)	15,825	–	–	15,825	1,503	–	–	–	17,328
Total other key management personnel	**288,770**	**–**	**–**	**288,770**	**26,503**	**–**	**–**	**–**	**315,273**
Total	**1,401,484**	**–**	**–**	**1,401,484**	**99,100**	**–**	**–**	**36,056**	**1,536,640**

(1) Fees to Neil Broekhuizen was payable to Ironbridge Capital Management Pty Ltd.

(2) Dr. Michelle Lane became a KMP on 29 May 2015 following her appointment to the role of Chief Operating Officer. Prior to this, Dr. Lane was Chief Scientific Officer.

Directors' Report (cont.)

2014

Name	Short term employee benefits				Post employment benefits			Share based payments	
	Salary & fees	STI Cash bonus	Non-monetary benefits	Total	Super-annuation benefit	Other long-term benefits	Termina-tion benefits	Rights	Total
	$	$	$	$	$	$	$	$	$
Non-executive Directors									
Mr Richard Davis(1)	–	–	–	–	–	–	–	–	–
Mr Josef Czyzewski(1)	–	–	–	–	–	–	–	–	–
Ms Christina Boyce(1)	–	–	–	–	–	–	–	–	–
Mr Neil Broekhuizen(2)	37,500	–	–	37,500	–	–	–	–	37,500
Mr Tom Woolley(2)(3)	37,500	–	–	37,500	–	–	–	–	37,500
Total non-executive Directors	**75,000**	**–**	**–**	**75,000**	**–**	**–**	**–**	**–**	**75,000**
Executive Directors									
Mr Benjamin Thiedeman	382,341	292,500	–	674,841	25,000	11,091	–	–	710,932
Dr Richard Henshaw	420,868	–	–	420,868	17,775	13,349	–	–	451,992
Prof Gabor Kovacs(3)	26,667	–	–	26,667	–	–	–	–	26,667
Dr Anthony Lawrence(3)	26,667	–	–	26,667	–	–	–	–	26,667
Total executive Directors	**856,543**	**292,500**	**–**	**1,149,043**	**42,775**	**24,440**	**–**	**–**	**1,216,258**
Other key management personnel									
Mr Rodney Fox(4)	279,095	53,000	–	332,095	24,479	5,575	–		362,149
Total other key management personnel	**279,095**	**53,000**	**–**	**332,095**	**24,479**	**5,575**	**–**	**–**	**362,149**
Total	**1,210,638**	**345,500**	**–**	**1,556,138**	**67,254**	**30,015**	**–**	**–**	**1,653,407**

(1) KMP from 4 June 2014.

(2) Fees to Neil Broekhuizen and Tom Woolley were paid to Ironbridge Capital Management Pty Ltd.

(3) These KMP were Directors of Healthbridge Enterprises Pty Ltd, the previous ultimate holding company and ceased to be KMP on 26 June 2014.

(4) Mr. Rodney Fox's STI Cash bonus increased by $3,000 to reflect final STI approval.

Remuneration Report – Audited continued

3.0 Executive and Non-Executive remuneration continued

3.2 Details of remuneration for Key Management Personnel continued

Key Management Personnel ("KMP") continued

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

	Type	Perfor-mance Hurdles	Grant Date	Perfor-mance Period End Date	Balance of Unvested Equity 1 Jul 2014	Granted in FY15		Vested in FY15		Lapsed or Forfeited		Balance of Unvested Equity 30 Jun 2015	Share Based Payment Expense FY15	Fair Value per Security
					Number	Number	$	Number	$	Number	$	Number	$	$
Mr. Benjamin Thiedeman	Rights	EPS	30-Jul-14	30-Jul-17	–	400,000	84,000	–	–	–	–	400,000	12,833	0.21
	Rights	TSR	30-Jul-14	30-Jul-17	–	400,000	76,000	–	–	–	–	400,000	23,223	0.19
Total					**–**	**800,000**	**160,000**	**–**	**–**	**–**	**–**	**800,000**	**36,056**	
Mr. Rodney Fox	Rights	EPS	30-Jul-14	30-Jul-17	–	100,000	21,000	–	–	100,000	21,000	–	–	0.21
	Rights	TSR	30-Jul-14	30-Jul-17	–	100,000	19,000	–	–	100,000	19,000	–	–	0.19
Total					**–**	**200,000**	**40,000**	**–**	**–**	**200,000**	**40,000**	**–**	**–**	

(1) The exercise price for the unvested share options for Mr. Rodney Fox and Mr. Benjamin Thiedeman is $1.85 per share.

Analysis of bonuses included in remuneration

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

	Cash Bonus (2015)			Cash Bonus (2014)		
		% of available bonus			% of available bonus	
	Payable $	Payable %	Not Payable %	Paid $	Paid %	Not Paid %
Executive directors						
Mr Benjamin Thiedeman	–	–	100%	292,500	100%	–
Dr Richard Henshaw	N/A	N/A	N/A	N/A	N/A	N/A
Other key management personnel						
Mr Rodney Fox	–	–	100%	53,000	100%	–
Dr. Michelle Lane	N/A	N/A	N/A	N/A	N/A	N/A

3.3 Mandatory Redeemable Preference Shares (MRPS) and Promissory Notes

During the prior financial year, Mandatory Redeemable Preference Shares and promissory notes held by Executive Directors and other KMP were re-paid in 2014 or converted into shares of the Company. No MRPS or promissory notes were issued during the financial year.

3.4 Loans to Key Management Personnel

Loans to KMP were re-paid to the Group during 2014. No new loans were issued to KMP during 2015.

3.5 Other transactions with Key Management Personnel

In FY2014 the group paid clinical fees to doctor directors in their capacity as practising fertility specialists on terms and conditions no more favourable than those available in similar arm's length dealings. These fee-for-service payments have been included within Note 27 'Related Parties' of the Financial Report.

Dr. Richard Henshaw was the only doctor during FY2015 who served as a Director. He was paid a salary by the Group.

3.6 Key Management Personnel ownership of shares

The following details Monash IVF Group ordinary shares held by Directors and KMP during 2015:

Name	Balance at start of year	Shares issued during year	Shares purchased during the year	Shares sold during the year	Balance at end of year
Non-executive directors					
Mr Richard Davis	27,026	–	–	–	27,026
Mr Josef Czyzewski	27,027	–	35,000	–	62,027
Ms Christina Boyce	16,215	–	10,000	–	26,215
Mr Neil Broekhuizen	100,000	–	–	–	100,000
Executive directors					
Mr Benjamin Thiedeman	1,065,958	–	36,800	–	1,102,758
Dr Richard Henshaw	1,833,801	–	181,159	–	2,014,960
Other key management personnel					
Mr Rodney Fox	138,431	–	–	–	138,431
Dr Michelle Lane(1)	813,909	–	–		813,909
Total	**4,022,367**	**–**	**262,959**	**–**	**4,285,326**

(1) Start of year balance reflects ordinary shares held on the date Dr. Michelle Lane became KMP.

Remuneration Report – Audited continued

4.0 Link to Group Performance

4.1 Group performance

The revenue and earnings of the consolidated entity for the five years to 30 June 2015 are summarised below:

Measure	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Revenue	124,955	114,012	96,598	93,243	83,539
EBITDA(1)	38,805	36,782	36,746	21,309	19,137
Net Profit After Tax(1)(2)	21,373	4,852	N/A	N/A	N/A
Total Shareholder Return(2)	(27%)	N/A	N/A	N/A	N/A
Earnings per Share (cents)(2)(3)	9.2	2.0	N/A	N/A	N/A

(1) The EBITDA and Net Profit after Tax for 2014 is adjusted to add back costs associated with the IPO. EBITDA is a non IFRS measure.

(2) The Net Profit after Tax, total shareholder return and earnings per share are not comparable for certain years due to the capital structure and discontinued operations.

(3) Earnings per share is based on the weighted average number of shares during that year. In 2014 if the number of shares were based on shares on issue at year end, earnings per share would have been 1.1 cents per share.

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

Directors' Report (cont.)

Insurance of officers

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

Indemnification of officers

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

Rounding off

The Company is of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the Annual Financial Report are rounded off to the nearest thousand dollars, the Remuneration report is rounded off to the nearest dollar, and the Directors' Report is rounded off to the nearest decimal of a million dollars, unless otherwise stated.

Non-audit services

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

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

Details on audit and non-audit service fees paid or payable to the Company's auditors during the year are disclosed in Note 28 of the Financial Report.

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

Mr Richard Davis
Chairman

Dated at Sydney this 28th day of August 2015.

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 for the financial year ended 30 June 2015 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

M. Bisetto

Maurice Bisetto
Partner

Melbourne

28 August 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000
Revenue	6	**124,955**	**114,012**
Employee benefits expense		(33,891)	(29,675)
Clinicians fees		(19,142)	(17,544)
Raw materials and consumables used		(13,014)	(11,438)
IT and communications expense		(3,178)	(2,716)
Depreciation expense	14	(3,067)	(2,367)
Amortisation expense	15	(350)	(524)
Property expense		(6,314)	(5,392)
Marketing, advertising and public relations expense		(4,215)	(3,531)
Professional and other fees		(2,032)	(2,354)
Other expenses	7	(1,857)	(4,580)
Start up & acquisition costs		(2,468)	–
IPO transaction costs		–	(12,281)
Operating Profit		**35,427**	**21,610**
Finance income	8	50	1,396
Finance expenses	8	(4,776)	(24,921)
Net finance costs		**(4,726)**	**(23,525)**
Profit/(Loss) before tax		**30,701**	**(1,915)**
Income tax (expense)/benefit	9	(9,328)	6,767
Profit for the year		**21,373**	**4,852**
Other comprehensive income			
Cash flow hedges		(673)	280
Tax on cash flow hedges		202	(84)
Exchange difference on translation of foreign operations		(4)	(58)
Other comprehensive income for the year, net of tax		**(475)**	**138**
Total comprehensive income for the year		**20,898**	**4,990**
Profit attributable to:			
Owners of the company		21,373	2,581
Non-controlling interests		–	2,271
Profit for the year		**21,373**	**4,852**
Total comprehensive income attributable to:			
Owners of the company		20,898	2,719
Non-controlling interests		–	2,271
Total comprehensive income for the year		**20,898**	**4,990**
Earnings per share			
Basic earnings per share (cents)	11	9.2	2.0
Diluted earnings per share (cents)	11	9.2	2.0

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 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000
Current assets			
Cash and cash equivalents	12	9,989	8,786
Trade and other receivables	13	3,110	2,969
Other assets		3,703	2,791
Total current assets		**16,802**	**14,546**
Non current assets			
Equity accounted investment		1,073	–
Trade and other receivables	13	423	448
Plant and equipment	14	14,466	9,131
Intangible assets	15	250,624	219,676
Deferred tax assets	9	401	2,557
Total non current assets		**266,987**	**231,812**
Total assets		**283,789**	**246,358**
Current liabilities			
Trade and other payables	16	21,850	17,944
Borrowings	19	729	56
Current tax liability		3,401	788
Employee benefits	17	6,212	5,405
Total current liabilities		**32,192**	**24,193**
Non current liabilities			
Borrowings	19	106,260	95,486
Employee benefits	17	1,312	859
Contingent consideration		–	1,000
Total non current liabilities		**107,572**	**97,345**
Total liabilities		**139,764**	**121,538**
Net assets		**144,025**	**124,820**
Equity			
Contributed equity	20	428,347	422,566
Reserves		(137,293)	(136,854)
Profits reserve		13,863	–
Retained earnings		(160,892)	(160,892)
Total equity attributable to ordinary shareholders of Monash IVF Group limited		**144,025**	**124,820**
Total equity		**144,025**	**124,820**

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 2015

	Contributed equity $'000	Other equity reserve(1) $'000	Share option reserve $'000	Profits Reserve(2) $'000	Retained earnings $'000	Translation reserve $'000	Hedging reserve $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
Consolidated Balance at 30 June 2013	49,514	–	–	–	(63,096)	54	(235)	(13,763)	(33,156)	(46,919)
Profit or loss for the year	–	–	–	–	2,581	–	–	2,581	2,271	4,852
Total other comprehensive income	–	–	–	–	–	(58)	196	138	–	138
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**2,581**	**(58)**	**196**	**2,719**	**2,271**	**4,990**
Transactions with owners in their capacity as owners directly in equity										
Issue of ordinary shares in Healthbridge Enterprises Pty Ltd	112,801	–	–	–	–	–	–	112,801	–	112,801
Issue of ordinary shares in Monash IVF Group Ltd	427,500	–	–	–	–	–	–	427,500	–	427,500
Share issue costs	(4,934)	–	–	–	–	–	–	(4,934)	–	(4,934)
Acquisition of non-controlling interests without a change in control	–	–	–	–	(75,153)	–	–	(75,153)	31,856	(43,297)
Acquisition adjustment	(162,315)	(136,811)	–	–	–	–	–	(299,126)	–	(299,126)
Dividends paid	–	–	–	–	(25,224)	–	–	(25,224)	(971)	(26,195)
Consolidated Balance at 30 June 2014	**422,566**	**(136,811)**	**–**	**–**	**(160,892)**	**(4)**	**(39)**	**124,820**	**–**	**124,820**
Profit or loss for the year	–	–	–	21,373	–	–	–	21,373	–	21,373
Total other comprehensive income	–	–	–	–	–	(4)	(471)	(475)	–	(475)
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**21,373**	**–**	**(4)**	**(471)**	**20,898**	**–**	**20,898**
Transactions with owners in their capacity as owners directly in equity										
Issue of ordinary shares in Monash IVF Group Ltd	5,781	–	–	–	–	–	–	5,781	–	5,781
Share-based payment transactions	–	–	36	–	–	–	–	36	–	36
Dividends paid	–	–	–	(7,510)	–	–	–	(7,510)	–	(7,510)
Consolidated Balance at 30 June 2015	**428,347**	**(136,811)**	**36**	**13,863**	**(160,892)**	**(8)**	**(510)**	**144,025**	**–**	**144,025**

(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. Refer to Note 5 for further information.

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

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 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000
Cash flows from operating activities			
Receipts from customers		125,509	115,033
Payments to suppliers and employees		(85,365)	(77,303)
Cash generated from operations		**40,144**	**37,730**
Income taxes paid		(4,136)	(1,508)
Net cash flows from operating activities	25	**36,008**	**36,222**
Cash flows from investing activities			
Interest received		–	1,946
Payments for property, plant and equipment		(5,527)	(3,821)
Proceeds from sale of property, plant and equipment		–	–
Payments for subsidiaries		(23,768)	(10,078)
Acquisition of Healthbridge Enterprises Pty Ltd		–	(203,055)
Acquisition of minority interests		–	(1,310)
Net cash flows used in investing activities		**(29,295)**	**(216,318)**
Cash flows from financing activities			
Net proceeds from issue of share capital		(3,320)	301,026
Receipt of borrowings		28,310	262,479
Receipt of loans receivable		57	1,515
Repayments of borrowings		(17,500)	(348,903)
Interest paid		(5,543)	(41,614)
Dividends paid		(7,510)	(26,195)
Net cash flows (used in)/generated from financing activities		**(5,506)**	**148,308**
Total cash flows from activities		**1,207**	**(31,788)**
Cash and cash equivalents at the beginning of the year		8,786	40,632
Effects of exchange rate changes on foreign currency cash flows and cash balances		(4)	(58)
Cash and cash equivalents at end of the year	12	**9,989**	**8,786**

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

Notes to the Consolidated Financial Statements

Contents

Notes to the Consolidated Financial Statements

1 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 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 it 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.

The Group had a corporate reorganisation during the 2014 financial year. As a result, the Group's accounting for common control entities and financial report's comparative period is disclosed as per Note 5.

2 Basis of preparation

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report of the Group also complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was approved by the Board of Directors on 28 August 2015.

Going concern

As at 30 June 2015 the group has a net current asset deficiency of 15.39 million (2014: net current asset deficiency $9,647,000).

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 as forecast operating cashflows indicate that cash reserves are sufficient to fund operations, the availability of $28.2m of committed but undrawn external debt and certain current liabilities such as employee entitlements and deferred income will not be fully realised in the short term to cause a liquidity risk.

Basis of measurement

The financial report has been prepared on an accrual basis and is based on historical cost, 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 presentation 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 Class Order 98/100, 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 Class Order to the nearest thousand, unless specifically stated to be otherwise.

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been consistently applied by group entities.

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Monash IVF Group Ltd as at 30 June 2015 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. They are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and consolidated statement of changes in equity respectively.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the following:

- fair values of the assets transferred
- fair value of liabilities assumed
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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.

3 Summary of significant accounting policies continued

Foreign operations continued

Foreign currency differences are recognised in other comprehensive income (OCI), and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such items are considered to form part of the net investment in the foreign operation and are recognised in OCI, and presented within equity in the translation reserve in equity.

Revenue recognition

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

Rendering of services

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

Deferred revenue

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

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns.

Other revenue

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

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions; they are then recognised in profit or loss as other income on a systematic basis over the life of the contract or arrangement.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

Finance income and finance costs

Finance income and finance costs include:

- Interest income;
- Interest expense;
- Dividend income;
- Dividends on redeemable preference shares issued classified as financial liabilities;
- Foreign currency gain or loss on financial assets and financial liabilities;
- 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.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date that the right to receive payment is established.

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. Current tax also includes any tax arising from dividends.

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.

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. 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.

Tax consolidation legislation

On 24 October 2013 Healthbridge Repromed Pty Ltd and its subsidiaries and Monash IVF Holdings Pty Ltd and its subsidiaries joined the Healthbridge Enterprises Pty Ltd tax consolidated group.

On 30 April 2014 Monash IVF Group Ltd and its wholly owned subsidiary formed a new tax consolidated group. The entities entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The head entity is Monash IVF Group Ltd.

On 26 June 2014 the Healthbridge Enterprises Pty Ltd tax consolidated group joined the Monash IVF Group Ltd tax consolidated group.

On 5 December 2014, Fertility East Australia Pty Ltd and Fertility Australia Trust trading as Fertility East joined the Monash IVF Group Ltd consolidated group.

Current tax expense/(income), deferred tax assets and liabilities arising from temporary differences of the members of each tax consolidated group are allocated to the head entity of the tax consolidated group and recognised using a 'Group allocation' approach. Deferred tax assets and liabilities are measured by reference to the carrying amounts of the assets

3 Summary of significant accounting policies continued

Tax consolidation legislation continued

and liabilities in the Group's statement of financial position and their tax values applying under tax consolidation. Any current tax liabilities/(assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity, and are recognised as amounts payable/(receivable) to other entities in the tax consolidated group in conjunction with the tax funding arrangement amounts.

The Group recognises deferred tax assets arising from unused tax losses to the extent that it is probable that future taxable profits of the Company will be available against which the assets can be utilised. The Group assesses the recoverability of its unused tax losses and tax credits only in the period which it arises, and before assumption by the head entity, in accordance with AASB 112. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of the revised assessment of the probability of recoverability are recognised by the head entity only.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise of cash balances and term deposits with original maturities of three months or less from the acquisition date 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.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are reviewed and a provision for impairment is established when there is objective evidence that amounts may not be collectible according to the original terms of the sales transaction. Bad debts are written off when identified.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost.

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 the profit or loss as incurred.

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.

The estimated useful lives for the current and comparative periods are as follows:

	2015	2014
Plant and equipment	2-10 years	2-10 years
Software	2-10 years	2-10 years
Leasehold improvements	2-10 years	2-10 years

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.

Intangible assets

Goodwill

Goodwill on consolidation represents the excess of the cost of an acquisition over the fair value of the Company's share of net identifiable assets of the acquired entities at the date of acquisition. Goodwill on acquisitions 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.

Other intangible assets

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

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.

Amortisation

Amortisation is calculated over the cost of the asset, or an other 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, 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.

Impairment

Non-derivative financial assets (including receivables)

A financial asset 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. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3 Summary of significant accounting policies continued

Impairment continued

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.

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. 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).

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit 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 in respect of goodwill is not reversed. For other assets, 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.

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 hedged 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 the 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; attributable 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 effective. 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.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during their lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Loans and 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.

Contributed equity

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. Refer to Note 5 for further details.

Share options 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.

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.

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 future periods in which the cash flows associated with derivatives in the cash flow hedge reserve are expected to impact profit and loss are the same as when the associated cash flows are expected to occur.

Employee benefits

Short-term obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits 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.

Other 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 Government bonds issued by the relevant markets that have maturity dates approximating the terms of the Group's obligations.

Share based payments

The Group will provide benefits to certain employees in the form of share-based payment options. The fair value of options granted under the plans is 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 options.

3 Summary of significant accounting policies continued

Employee benefits continued

Share based payments continued

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

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

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.

New standards and interpretations

The Group has applied the following standards and amendments for the first time commencing 1 July 2014:

- Investment Entities (Amendments to AASB 10, AASB 12 and AASB 27)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 132)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to AASB 136)
- IFRIC Levies
- Defined Benefit Plan: Employee Contributions (Amendments to AASB 119)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Annual Improvements to IFRSs 2011 – 2013 Cycle

The adoption of the above standards and amendments has not had a material effect on the financial position or performance of the Group.

4 Critical accounting estimates and judgements in applying the Group's accounting policies

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The estimates and assumptions that have a significant risk in respect of estimates based on future events which could have a material impact on the assets and liabilities are:

Plant and equipment and definite life intangible assets

The Group's plant and equipment and definite life intangible assets are depreciated/amortised 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.

Goodwill and other indefinite life intangible assets

Goodwill and other indefinite life intangible assets become impaired when their carrying value exceeds their recoverable amount. This is determined based on the accounting policy stated in Note 3. Recoverable amount is the greater of fair value less costs to sell or value in use. In determining recoverable amount, judgements and assumptions are made in the determination of likely net sale the proceeds or in the determination of future cash flows which support a value in use. Specifically with respect to future cash flows, judgements are made in respect to the quantum of those future cash flows, the discount rates (cost of capital and debt) applied to present value the cash flows and exchange rates.

Business acquisitions

The consolidated financial statements include information and results of each subsidiary from the date on which the Company obtains control until such time as the Company ceases to control the entity.

The determination as to the existence of control or significant influence over an entity necessarily requires management judgement to assess the Group's ability to govern the financial and operating activities of an investee. In making such an assessment, a range of factors are considered including voting rights in an investee and board and management representation.

A business acquisition also requires judgement with respect to the determination of the fair value of purchase consideration given and the fair value of identifiable assets and liabilities acquired. The identification and valuation for such assets and liabilities including brand names, patient relationships, patents, trademarks and contingent liabilities are initially recorded on a provisional basis which requires estimation and certain judgements on inputs. Refer to Note 5 for further information relating to the corporate reorganisation and Note 22 for other acquisitions.

Taxation

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. A degree of judgement is required when assessing the application of income tax legislation, and any impact on the recognition and reliability of deferred tax balances. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Employee provisions

Provisions for employee entitlements relating to long-service leave requires a degree of estimation and judgement regarding employee service periods, discount rates and future increases in salary rates.

5 Corporate reorganisation in prior year

On 26 June 2014, the shareholders of the Company, Monash IVF Group Acquisitions Pty Ltd and Healthbridge Enterprises Pty Ltd undertook a corporate reorganisation in which Monash IVF Group Acquisitions Pty Ltd acquired all the equity in Healthbridge Enterprises Pty Ltd. This corporate reorganisation is classified as a common control transaction under AASB 3 *"Business Combinations"*, and is therefore not considered a business combination under this Standard.

The Company's accounting policy for common control transactions is to account for the acquisition at book value (carry-over basis). No fair value adjustments are recognised on the acquisition and the financial report represents a continuation of Healthbridge Enterprises Pty Ltd except for an adjustment to reflect the share capital of the legal parent of the Monash IVF Group Ltd consolidated group. The Company has applied this accounting approach as it best describes the historical performance of the existing Reporting Group.

Accordingly, the financial report's comparative period represents the period 1 July 2013 to 30 June 2014, including the consolidated financial results for Monash IVF Group Ltd for the period 26 June 2014 to 30 June 2014, and the Healthbridge Enterprises Pty Ltd consolidated group for the period 1 July 2013 to 25 June 2014.

A reconciliation of the consideration transferred on 26 June 2014 to acquire Healthbridge Enterprises Pty Ltd is presented below:

Consideration	$'000
Shares issued (51,930,026 x $1.85) in Monash IVF Group Ltd	96,071
Cash paid	203,055
Total	**299,126**

6 Revenue

	Consolidated 2015 $'000	Consolidated 2014 $'000
Service revenue	121,913	110,857
Other revenue	3,042	3,155
Total revenue	**124,955**	**114,012**

7 Other expenses

	Consolidated 2015 $'000	Consolidated 2014 $'000
Restructure costs	–	2,057
Other expenses	1,857	2,523
Total other expenses	**1,857**	**4,580**

8 Net finance costs

	Consolidated 2015 $'000	Consolidated 2014 $'000
Finance income		
Interest income	50	1,396
Finance expense		
Interest expense	(4,406)	(21,511)
Amortisation of bank fees(1)	(182)	(3,387)
Lending fees and other	(188)	(23)
Total finance expense	**(4,776)**	**(24,921)**
Net finance costs	**(4,726)**	**(23,525)**

(1) 2014 includes write-off of fees on borrowings made during the year and repaid by year-end.

9 Income tax and deferred tax

(a) Amounts recognised in profit or loss

	Consolidated 2015 $'000	Consolidated 2014 $'000
Current tax	6,969	2,358
Deferred tax	2,359	(9,125)
Total income tax expense/(benefit)	**9,328**	**(6,767)**
Deferred income tax expense included in income tax expense comprises:		
(Increase)/Decrease in deferred tax assets	2,418	(46)
(Decrease)/increase in deferred tax liabilities	(59)	(9,079)
Total deferred tax expense/(benefit)	**2,359**	**(9,125)**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(Loss) before income tax expense	30,701	(1,915)
Tax at the Australian tax rate of 30% (2014: 30%)	9,210	(575)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible interest	–	1,637
Effect of tax rates in foreign jurisdiction	(114)	(102)
Non deductible acquisition costs	304	–
Derecognition of tax losses	–	922
TOFA adjustments	–	(368)
Intangible assets tax consolidation adjustment	–	(3,212)
Non-assessable interest income	–	(4,590)
Other items	(72)	(1,202)
Under provision of previous year	–	723
Income tax expense/(benefit)	**9,328**	**(6,767)**

(b) Amounts recognised directly in OCI

Amounts recognised directly in OCI

In thousands of dollars	Before tax	2015 Tax (expense) benefit	Net of tax	Before tax	2014 Tax (expense) benefit	Net of tax
Foreign operations – foreign currency translation differences	(4)	–	(4)	(58)	–	(58)
Cash flow hedges	(673)	202	(471)	280	(84)	196
	(677)	**202**	**(475)**	**222**	**(84)**	**138**

9 Income tax and deferred tax continued

(c) Movement in deferred tax balances

2015

In thousands of dollars	Deferred tax asset 1 July 2014	Deferred tax liability at 1 July 2014	Recognised in profit or loss	Recognised in OCI	Recognised directly in equity	Deferred tax asset at 30 June 2015	Deferred tax liability at 30 June 2015
Plant and equipment	–	(415)	59	–	–	–	(356)
Intangible assets	–	(5,944)	–	–	–	–	(5,944)
IPO transaction costs	4,497	–	(1,019)	–	–	3,478	–
Derivatives	17	–	–	–	203	220	–
Trade payables and provision	1,434	–	(688)	–	–	746	–
Loans and borrowings	–	–	–	–	–	–	–
Employee benefits	1,879	–	378	–	–	2,257	–
Other items	–	–	–	–	–	–	–
Carry forward tax losses	1,089	–	(1,089)	–	–	–	–
Tax (liabilities)/assets before set off	**8,916**	**(6,359)**	**(2,359)**	**–**	**203**	**6,701**	**(6,300)**
Set off tax	(6,359)	6,359	–	–	–	(6,300)	6,300
Net tax assets	**2,557**	**–**	**–**	**–**	**–**	**401**	**–**

2014

In thousands of dollars	Deferred tax asset 1 July 2013	Deferred tax liability at 1 July 2013	Recognised in profit or loss	Recognised in OCI	Recognised directly in equity	Deferred tax asset at 30 June 2014	Deferred tax liability at 30 June 2014
Plant and equipment	461	–	(876)	–	–	–	(415)
Intangible assets	–	(9,828)	3,884	–	–	–	(5,944)
IPO transaction costs	–	–	2,474	–	2,023	4,497	–
Derivatives	11	–	–	6	–	17	–
Trade payables and provision	1,418	–	16	–	–	1,434	–
Loans and borrowings	142	(50)	(92)	–	–	–	–
Employee benefits	591	–	1,288	–	–	1,879	–
Other items	2,014	(4,754)	2,740	–	–	–	–
Carryforward tax losses	1,398	–	(309)	–	–	1,089	–
Tax (liabilities)/assets before set-off	**6,035**	**(14,632)**	**9,125**	**6**	**2,023**	**8,916**	**(6,359)**
Set off tax	(5,553)	5,553	–	–	–	(6,359)	6,359
Net tax (liabilities)/assets	**482**	**(9,079)**	**–**	**–**	**–**	**2,557**	**–**

10 Operating segments

Identification of reportable operating segments

The two geographic segments being Australia and International reflect Monash Group's reporting structure to the Chief Executive Officer, its chief operating decision maker (CODM). Monash 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 and party to a co-operative agreement with an Assisted Reproductive Service provider in China.

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.

10 Operating segments continued

Segment results

The segment information provided to the CODM for the reportable segments for the year ended 30 June 2015.

2015	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total reportable segments $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue					
External revenue	119,364	5,591	124,955	–	124,955
Intersegment sales	–	–	–	–	–
Total Revenue	**119,364**	**5,591**	**124,955**	**–**	**124,955**
Segment EBITDA (excluding Start-up & acquisition costs)	**38,978**	**2,334**	**41,312**	**–**	**41,312**
Depreciation and amortisation expense	(3,356)	(61)	(3,417)	–	(3,417)
Start-up & acquisition costs	(2,468)	–	(2,468)	–	(2,468)
Interest revenue	50	–	50	–	50
Interest expense	(4,406)	–	(4,406)	–	(4,406)
Lending fees and others	(370)	–	(370)	–	(370)
Profit before income tax expense	**28,428**	**2,273**	**30,701**	**–**	**30,701**
Income tax expense	(8,760)	(568)	(9,328)	–	(9,328)
Profit for the year	**19,668**	**1,705**	**21,373**	**–**	**21,373**
Segment assets	277,099	6,690	283,789	–	283,789
Segment liabilities	(139,608)	(156)	(139,764)	–	(139,764)

The segment information provided to the CODM for the reportable segments for the year ended 30 June 2014.

2014	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total reportable segments $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue					
External revenue	109,460	4,552	114,012	–	114,012
Intersegment sales	–	–	–	–	–
Total Revenue	**109,460**	**4,552**	**114,012**	**–**	**114,012**
Segment EBITDA	**34,714**	**2,068**	**36,782**	**–**	**36,782**
Initial Public Offering transaction costs	(12,281)	–	(12,281)	–	(12,281)
Depreciation and amortisation expense	(2,835)	(56)	(2,891)	–	(2,891)
Interest revenue	1,372	24	1,396	–	1,396
Interest expense	(21,534)	–	(21,534)	–	(21,534)
Lending fees and others	(3,387)	–	(3,387)	–	(3,387)
(Loss)/profit before income tax expense	**(3,951)**	**2,036**	**(1,915)**	**–**	**(1,915)**
Income tax benefit/(expense)	7,264	(497)	6,767	–	6,767
Profit for the year	**3,313**	**1,539**	**4,852**	**–**	**4,852**
Segment assets	240,798	5,560	246,358	–	246,358
Segment liabilities	(121,401)	(137)	(121,538)	–	(121,538)

11 Earnings per share

Earnings per share	Consolidated 2015 Cents per share	2014 Cents per share
Basic earnings per share	9.2	2.0
Diluted earnings per share	9.2	2.0

Profit attributable to ordinary shareholders	2015 $'000	2014 $'000
Profit after income tax attributable to the ordinary shareholders used in calculating basic and diluted earnings per share	21,373	2,581

Weighted average number of shares (basic)	2015 Number	2014 Number
Issued ordinary shares at 1 July	231,081,089	49,513,671
Effect of shares issued	165,482	76,398,391[(1)]
Adjustments for calculation of diluted earnings per share[(2)]	800,000	–
Weighted average number of ordinary shares (diluted) at 30 June	**232,046,571**	**125,912,062**

(1) The 76,398,391 in 2014 reflects the weighted average number of shares issues in Healthbridge Enterprises Pty Ltd and Monash IVF Group Ltd during the year. Had the weighted average number of shares been adjusted to reflect the change in the Group's capital structure on 26 June 2014 (231,081,089 ordinary shares), been effective from the beginning of the year, basic and diluted earnings per share for 2014 would have been 1.1 cents per share.

(2) The calculation of the weighted average number of shares has been adjusted for the effect of these potential shares from the date of issue.

(3) Basic and diluted earnings per share are impacted by acquisition cost during the year. Earnings per share excluding acquisition costs would have been approximately 10.0 cents per share and diluted earnings per share would have been approximately 10.0 cents 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.

12 Cash and cash equivalents

	Consolidated	
	2015 $'000	2014 $'000
Cash at bank and in hand	9,427	8,227
Short-term bank deposits	562	559
Total cash and cash equivalents	**9,989**	**8,786**

13 Trade and other receivables

	Consolidated	
	2015 $'000	2014 $'000
Current		
Trade receivables	2,839	2,926
Provision for impairment	(446)	(301)
Other debtors	604	239
Accrued income	113	105
Total current trade and other receivables	**3,110**	**2,969**
Non-current		
Other receivables and debtors	423	448
Total trade and other receivables	**3,533**	**3,417**

14 Plant and equipment

In AUD	Consolidated Plant and equipment $'000	Total $'000
Cost		
Balance at 1 July 2013	22,679	22,679
Additions through business combinations	962	962
Additions	3,821	3,821
Disposals	(18)[(1)]	(18)
Balance at 30 June 2014	**27,444**	**27,444**
Additions through business combinations	2,875	2,875
Additions	5,527	5,527
Disposals	–	–
Balance at 30 June 2015	**35,846**	**35,846**

In AUD	Plant and equipment $'000	Total $'000
Depreciation and impairment losses		
Balance at 1 July 2013	(15,950)	(15,950)
Depreciation for the year	(2,367)	(2,367)
Disposals	4[(1)]	4
Balance at 30 June 2014	**(18,313)**	**(18,313)**
Depreciation for the year	(3,067)	(3,067)
Disposals	–	–
Balance at 30 June 2015	**(21,380)**	**(21,380)**
Carrying amount		
At 30 June 2014	9,131	9,131
At 30 June 2015	**14,466**	**14,466**

(1) Includes plant and equipment disposed relating to discontinued operations.

15 Intangible assets

Reconciliation of the carrying amount is set out below:

Cost	Goodwill $'000	Software $'000	Trademark $'000	Public Contract $'000	Patient Relationships $'000	Employment Contracts $'000	Total $'000
Balance at 1 July 2013	188,166	8,635	19,845	688	6,977	1,922	226,233
Additions	–	–	–	–	–	–	–
Acquisition through business combination	11,069	–	–	–	–	–	11,069
Balance at 30 June 2014	**199,235**	**8,635**	**19,845**	**688**	**6,977**	**1,922**	**237,302**
Balance at 1 July 2014	199,235	8,635	19,845	688	6,977	1,922	237,302
Additions	–	113	–	–	–	–	113
Acquisition through business combination	31,185	–	–	–	–	–	31,185
Balance at 30 June 2015	**230,420**	**8,748**	**19,845**	**688**	**6,977**	**1,922**	**268,600**
Amortisation and impairment losses							
Balance at 1 July 2013	**(1,549)**	**(6,004)**	**–**	**(650)**	**(6,977)**	**(1,922)**	**(17,102)**
Amortisation for the year	–	(486)	–	(38)	–	–	(524)
Impairment loss	–	–	–	–	–	–	–
Balance at 30 June 2014	**(1,549)**	**(6,490)**	**–**	**(688)**	**(6,977)**	**(1,922)**	**(17,626)**
Balance at 1 July 2014	(1,549)	(6,490)	–	(688)	(6,977)	(1,922)	(17,626)
Amortisation for the year	–	(350)	–	–	–	–	(350)
Impairment loss	–	–	–	–	–	–	–
Balance at 30 June 2015	**(1,549)**	**(6,840)**	**–**	**(688)**	**(6,977)**	**(1,922)**	**(17,976)**
Carry amounts							
at 30 June 2014	197,686	2,145	19,845	–	–	–	219,676
at 30 June 2015	**228,871**	**1,908**	**19,845**	**–**	**–**	**–**	**250,624**

Impairment testing

The following cash generating units were tested for impairment during the 2015 financial year:

	2015 $'000	2014 $'000
Goodwill allocated to:		
Monash IVF Group (Australia)	223,722	192,537
Monash IVF Group (International)	5,149	5,149
	228,871	**197,686**

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 9.41% (2014: 10.5% – 11.0%) for the Australian CGU and pre-tax discount rate of 11.18% (2014:10.5% – 11.0%) for the International CGU was applied in determining the recoverable amount. The discount rate was estimated based on past experience, and the industry average weighted cost of capital.
- Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity of 3.0% (2014: 3.0%) has been determined using the expected consumer price index for the relevant jurisdiction. Budgeted EBIT was based on the expectation of future outcomes taking into account past experience, adjusted for the anticipated revenue growth.

16 Trade and other payables

	Consolidated	
	2015 $'000	2014 $'000
Current		
Trade payables	1,975	1,332
IPO accrued expenses	–	3,689
Accrued expenses	5,140	4,525
Prepaid income	6,624	4,530
Deferred consideration	3,980	–
Contingent consideration	500	230
Other current liabilities	3,631	3,638
Total current trade and other payables	**21,850**	**17,944**

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.

17 Employee benefits

The aggregate amount of employee benefits is comprised of:

	Consolidated	
	2015 $'000	2014 $'000
Current		
Current liability for long service leave	2,730	2,818
Current liability for annual leave	3,482	2,587
Total current employee benefits	**6,212**	**5,405**
Non-current		
Non-current liability for long service leave	1,312	859
Total non-current employee benefits	**1,312**	**859**

The aggregate of employee entitlement provision is $7.5m (2014: $6.3m). Employee benefits incurred during the year were $33.9m (2014: $29.7m).

18 Financial risk management

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

- Credit risk;
- Liquidity risk;
- Market risk; and
- Foreign exchange 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.

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 on at a business unit level and reviewed regularly by the administrative/accounts receivable function. Credit risk is managed through maintaining procedures ensuring, to the extent possible, that patients and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposure against such limits and the monitoring of the financial stability of significant patients and counterparties. Such monitoring is used in assessing receivables for impairment.

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.

	Consolidated	
	2015 $'000	2014 $'000
Ageing of trade receivables		
Past due 0-30 days	1,233	1,114
Past due 31-120 days	906	1,229
Past due more than 121 days	700	583
Provision for impairment	(446)	(301)
	2,393	**2,625**

Other financial asset credit exposure relates to the following:

	Consolidated	
	2015 $'000	2014 $'000
Other financial asset credit exposure		
Accrued income	113	105
Prepayments and other debtors	1,027	687
	1,140	**792**

Cash and cash equivalents

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 $9,989,000 in short-term deposits or cash at bank with 'A' rated or higher Australian banks.

18 Financial risk management continued

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.

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	1-5 years $'000	Over 5 years $'000
2015					
Non-derivative financial liabilities					
External loans	106,810	(112,343)	(4,164)	(108,179)	–
Trade and other payables	21,850	(21,850)	(21,850)	–	–
Derivative financial liabilities					
Interest rate swaps	729	(789)	(400)	(389)	–
	129,389	**(134,982)**	**(26,414)**	**(108,568)**	**–**
2014					
Non-derivative financial liabilities					
External loans	96,000	(109,485)	(4,520)	(104,965)	–
Trade and other payables	13,414	(13,414)	(13,414)	–	–
Derivative financial liabilities					
Interest rate swaps	56	(69)	(23)	(46)	–
	109,470	**(122,968)**	**(17,957)**	**(105,011)**	**–**

Foreign exchange risk

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

Market risk – Interest rate risk

Interest rate risk is managed using a mix of fixed and floating rate debt. At 30 June 2015 approximately 47% of the interest rate exposure is fixed (2014: 52%). 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	
	2015 $'000	2014 $'000
Fixed rate instruments		
Financial assets	562	559
Financial liabilities	(50,000)	(50,000)
	(49,438)	**(49,441)**
Variable rate instruments		
Financial assets	9,427	8,227
Financial liabilities	(56,810)	(46,000)
	(47,383)	**(37,773)**

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 the amounts shown below. This assumes that all other variables remain constant.

	Profit or loss	
	100 bps increase $'000	100 bps decrease $'000
30 June 2015		
Financial assets	94	(94)
Financial liabilities	(568)	568
30 June 2014		
Financial assets	82	(82)
Financial liabilities	(460)	460

Market risk – Price risk

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

18 Financial risk management continued

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.

2015	Carrying Amount $'000	Fair Value Level 1 $'000	Fair Value Level 2 $'000	Fair Value Level 3 $'000	Fair Value Total $'000
Financial assets not measured at fair value					
Trade and other receivables[1]	5,683	–	–	–	–
Cash and cash equivalents[1]	9,989	–	–	–	–
	15,672	**–**	**–**	**–**	**–**
Financial liabilities measured at fair value					
Interest rate swaps for hedging	729	–	729	–	729
Contingent consideration	500	–	–	500	500
	1,229	**–**	**729**	**500**	**1,229**
Financial liabilities not measured at fair value					
Secured bank loans	106,810	–	106,810	–	106,810
Deferred consideration [1]	3,980	–	3,980	–	3,980
Trade and other payables[1]	17,370	–	–	–	–
	128,160	**–**	**110,790**	**–**	**110,790**

2014	Carrying Amount $'000	Fair Value Level 1 $'000	Fair Value Level 2 $'000	Fair Value Level 3 $'000	Fair Value Total $'000
Financial assets not measured at fair value					
Trade and other receivables[1]	5,354	–	–	–	–
Cash and cash equivalents[1]	8,786	–	–	–	–
	14,140	**–**	**–**	**–**	**–**
Financial liabilities measured at fair value					
Interest rate swaps for hedging	56	–	56	–	56
Contingent consideration	1,230	–	–	1,230	1,230
	1,286	**–**	**56**	**1,230**	**1,286**
Financial liabilities not measured at fair value					
Secured bank loans	96,000	–	96,000	–	96,000
Trade and other payables[1]	17,714	–	–	–	–
	113,714	**–**	**96,000**	**–**	**96,000**

(1) The Group has not disclosed the fair values for financial assets such as short-term trade receivables and payables, because these carrying amounts are a reasonable approximation of fair values.

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 date (unobservable inputs)

(b) Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value			
Type	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Contingent consideration	*Discounted cash flows:* The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the number of IVF cycles performed during the period under assessment	• Risk-adjusted discount rate • Number of IVF cycles	The estimated fair value would increase (decrease) if: • the risk-adjusted discount rate were lower (higher) • the number of IVF cycles were achieved (not achieved)
Interest rate swaps	*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

(ii) Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

In thousands of dollars	Contingent consideration
Balance at 1 July 2013	–
Assumed in a business combination	1,400
Gain included in 'finance costs'	
– Net change in fair value (unrealised)	(170)
Gain included in OCI	
– Net change in fair value (unrealised)	–
Transfers out of Level 3	–
Balance at 30 June 2014	**1,230**
Balance at 1 July 2014	1,230
Assumed in a business combination	500
Loss included in 'finance costs'	
– Net change in fair value (unrealised)	(20)
Gain included in OCI	
– Net change in fair value (unrealised)	
Transfers out of Level 3	(1,210)
Balance at 30 June 2015	**500**

18 Financial risk management continued

Sensitivity analysis

For the fair values of contingent consideration, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

	Profit or loss	
	Increase $'000	Decrease $'000
30 June 2015		
Movement in number of patient treatments target (10% movement)	–	(350)

19 Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost.

	Consolidated	
	2015 $'000	2014 $'000
Current borrowings		
Derivatives	729	56
	729	**56**
Non-current borrowings		
Commercial loans	106,810	96,000
Capitalised finance facility fees	(550)	(514)
	106,260	**95,486**

The Group has maintained its banking facilities since 30 June 2014 of which $28.2m committed but undrawn as at 30 June 2015. This includes a $30.0m acquisition and capital expenditure facility of which $21.8m is utilised as at 30 June 2015.

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 are tested at 31 December and 30 June. As at 30 June 2015, the Group is compliant with its financial undertakings and expects to remain in compliance with these financial undertakings.

As at 30 June 2015, the Group had $0.8m bank guarantees in place (2014: $0.9m).

				30 June 2015	
	Currency	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000
Commercial loans	AUD	3.95%	2017	106,810	106,810
Total interest-bearing liabilities				**106,810**	**106,810**

				30 June 2014	
	Currency	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000
Commercial loans	AUD	4.71%	2017	96,000	96,000
Total interest-bearing liabilities				**96,000**	**96,000**

20 Contributed equity

	Number of shares issued	$'000
Opening balance (1/7/13)	**49,513,671**	**49,514**
Issued in exchange for mandatory redeemable preference shares ("MRPS")	5,315,595	5,345
Issued in exchange for promissory notes	71,806,539	72,207
Issued to minority interest	33,283,463	33,469
Issued in business combination	967,195	973
Issued for cash	803,185	807
Shares issued from re-organisation	231,081,089	427,500
Re-organisation adjustment(1)	(161,689,648)	(162,315)
Share issue costs	–	(4,934)
Closing balance (30/6/14)	**231,081,089**	**422,566**
Opening balance (1/7/14)	**231,081,089**	**422,566**
Issued in business combination	4,314,349	5,781
Closing balance (30/6/15)	**235,395,438**	**428,347**

(1) In accordance with transactions under common control, issued capital prior to the common control transaction represents the equity of the legal subsidiary, Healthbridge Enterprises Pty Ltd. Subsequent to the common control transaction, issued capital represents the issued capital of the legal parent of the Group, Monash IVF Group Ltd.

In October 2013, Healthbridge Enterprises Pty Ltd issued 110,405,597 ordinary shares at $1.006 per share. These shares were effectively transferred to acquire Non-Controlling Interest ("NCI"), MRPS and Promissory Note holdings within the Group's subsidiaries.

Additionally, 803,185 ordinary shares were issued for cash at $1.006 per share.

In May 2014, as detailed in Note 22, Healthbridge Enterprises Pty Ltd issued 967,195 ordinary shares as consideration for the acquisition of Palantrou Pty Ltd.

In June 2014, as discussed in Note 5, Monash IVF Group Ltd issued 231,081,089 ordinary shares via an initial public offering.

In June 2015, as detailed in Note 22, Monash IVF Group Ltd issued 4,314,349 ordinary shares as partial consideration for the acquisition of Sydney Ultrasound for Women ("SUFW").

All shares are fully paid. No ordinary shares have been issued under the shares options 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.

20 Contributed equity continued

Escrow arrangements

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

	Number of shares subject to escrow (M) – 30/6/15	Escrowed shares (as a % of Shares on issue)
Doctors[1]	25.9	11.00%
Management[2]	1.8	0.76%
Ironbridge	11.6	4.93%
SUFW	4.3	1.83%
Total	**43.6**	**18.53%**

(1) Includes 1.3m Shares subject to escrow to be held by Richard Henshaw (Executive Director)

(2) Includes 0.9m Shares subject to escrow to be held by James Thiedeman (CEO) and 0.1m Shares subject to escrow to be held by Rodney Fox (CFO).

Doctors

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

(a) Shares equivalent to 10% of a Doctor's interest prior to re-organisation are held in short-term escrow, with 3.33% being released from escrow on the first trading day in shares following the announcement to the ASX by the Company of its preliminary final report for FY2015. Following each of the two subsequent announcements of the Company's preliminary final report (up to and including the preliminary final report for FY2017), shares equivalent to a further 3.33% per year of a Doctor's interest prior to re-organisation will be released (if not otherwise released) from escrow. All of this short-term escrow can be released prematurely where the Doctor becomes a 'good leaver' (as described below).

(b) Shares equivalent to 20% of a Doctor's interest prior to re-organisation will be released when the Doctor reaches the age of 63. These shares may be otherwise released from escrow in the following circumstances:

- for Doctors who are aged 63 or older at the time of re-organisation or who turn 63 within two years of Completion, these shares will be released from escrow on the second anniversary of re-organisation; or
- where a Doctor becomes a 'relocated leaver' (as described below), these Shares will be released from escrow five years after the date that they become a 'relocated leaver'; or
- where a Doctor dies or leaves the Group as a result of becoming permanently disabled or seriously disabled, these shares will be released from escrow on the date of the relevant occurrence (as resolved by the Board acting reasonably); or
- if the Board determines to release the shares from escrow earlier.

(c) Shares equivalent to the final 20% of a Doctor's interest prior to re-organisation will be released from escrow:

- on retirement by the Doctor from the ARS industry (provided a Doctor must have used their best endeavours to transition their practice to another Doctor to the satisfaction of the Board); or
- if the Doctor becomes a 'good leaver' or a 'relocated leaver' (as described below); or
- five years after the Doctor leaves Monash Group in other circumstances.

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

The escrow arrangements 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.

Management

For management shareholders, shares equivalent to 50% of their interest prior to re-organisation held by or on behalf of the member of management is subject to escrow until the first trading day in shares following an announcement to the ASX by the Group of its preliminary final report for FY2015.

Ironbridge

For Ironbridge Funds 11.6m shares are subject to escrow until the first trading day in shares following an announcement to the ASX by the Group of its preliminary final report for FY2015.

Escrow for SUFW

An element of the consideration for SUFW was paid to the vendor doctors as ordinary shares. All shares issued to the vendors of SUFW are escrowed such that 53.3% of the shares issued are escrowed until the first trading day after the release of the FY2016 results, 3.3% are escrowed until the first trading day after the release of the FY2017 results, 3.3% are escrowed until the first trading day after the release of the FY2018 results. The remaining 40% is subject to escrow consistent with the Doctors above and is

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

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

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

21 Reserves

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

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.

Dividends

On 25 February 2015, the Board declared an interim dividend of 3.25 cents per share. Payment of the interim dividend occurred on 18 April 2015. During 2014, the Directors of Healthbridge Enterprises Pty Ltd declared a $25,223,579 fully franked dividend (15.6 cents per ordinary share) to shareholders which was settled on 26 June 2014.

Franking credits available at 30 June 2015 was $1.143m (2014: $1.143m). The 2014 franking credits available is re-stated to reflect recognition of franking credits available from prior acquisitions.

Share options 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.

Other equity reserve

	Consolidated	
	2015 $'000	2014 $'000
Opening balance	136,811	–
Valuation of issued capital prior to acquisition	–	(162,315)
Shares issued to pre-acquisition shareholders as consideration	–	96,071
Cash paid to pre-acquisition shareholders as consideration	–	203,055
Closing balance	**136,811**	**136,811**

Due to the acquisition of Healthbridge Enterprises Pty Ltd being accounted for as a common control transaction (see Note 5), the other equity reserve reflects the consideration paid to acquire Healthbridge Enterprises Pty Ltd compared to the valuation of the issued capital of Healthbridge Enterprises Pty Ltd at the initial public offering date.

22 Business acquisition

Fertility East

On 5 December 2014 the Group acquired Fertility Australia Pty Ltd and the Fertility Australia Trust, trading as Fertility East. Its principle activities are to provide Assisted Reproductive Technology (ART) services, gynaecological services, In-Vitro Fertilisation (IVF) laboratory services, specialist consultancy services and general clinical services to patients. The acquisition enabled the Group to expand its business in New South Wales.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date. All amounts are provisional at the balance sheet date.

	$'000
Consideration	
Cash[(1)]	3,000
Contingent consideration[(2)]	500
Total	**3,500**

(1) Paid on completion.

(2) If the acquiree meets certain performance hurdles in a consecutive 12 month period between 1 January 2015 and 31 December 2017, the vendor is entitled to a payment up to $500,000.

	$'000
Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	158
Trade and other receivables	108
Plant and equipment	614
Other assets	145
Tax assets and liabilities	223
Trade and other payables	(567)
Employee entitlements	(250)
Total identifiable net assets	**431**

The above identifiable assets acquired and liabilities assumed have been determined at fair value. The Group is currently in the process of finalising the fair values of the assets and liabilities acquired. As a result, the fair values provided above are provisional and will be subject to finalisation during the period up to twelve months from the acquisition date. As compared to the 31 December 2014 Interim Financial Report, Trade and Other Payables have increased by $52,000 whilst cash and cash equivalents has reduced by $55,000 subsequent to finalising a working capital adjustment pursuant to the sale agreement. The impact of these adjustments is to increase goodwill by $107,000.

Goodwill

Goodwill recognised as a result of the acquisition is:

	$'000
Total consideration	3,500
less Fair value of identifiable assets	(431)
Goodwill	**3,069**

22 Business acquisition continued

Goodwill continued

Sydney Ultrasound for Women

On 17 June 2015 the Group acquired the business of Sydney Ultrasound for Women partnership including various associated companies and a Trust. The principle activities are the provision of specialist womens' ultrasound services in Sydney, New South Wales. The acquisition enables the Group to expand the provision of this service as the Group already has a similar business in Melbourne (Monash Ultrasound for Women) and aids the expansion of services offered by the Group's assisted reproductive services in New South Wales.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date. All amounts are provisional at the balance sheet date:

	$'000
Consideration	
Initial cash payment(1)	21,069
Deferred cash payment(2)	3,000
Ordinary share issue(3)	5,781
Total	**29,850**

(1) Paid on completion.

(2) Retention amount payable subject to non-performance criteria and is expected to be payable within six months from balance sheet date.

(3) Reflects 4,314,349 ordinary shares at $1.34 being closing price on 17 June 2015 (date of completion), and are subject to escrow.

	$'000
Identifiable assets required and liabilities assumed	
Cash and cash equivalents	539
Trade and other receivables	141
Prepayments	52
Investments	1,073
Plant and equipment	2,261
Employee provisions	(889)
Trade and other payables	(1,323)
Net assets acquired	**1,854**

The above identifiable assets acquired and liabilities assumed have been determined at fair value. The Group is currently in the process of finalising the fair values of the assets and liabilities acquired. As a result, the fair values provided above are provisional and will be subject to finalisation during the period up to twelve months from the acquisition date.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	$'000
Total consideration transferred	29,850
less: fair value of identifiable assets	1,854
Goodwill	**27,996**

The Group incurred acquisition costs of $1.5m relating to due diligence, legal fees and stamp duty. These costs have been included in startup and acquisition costs in the statement of profit and loss and other comprehensive income.

Impact on profitability

Fertility East and SUFW during the year contributed additional combined revenues and additional combined operating profits to the Group of $2.9m and $1.1m after acquisition costs respectively.

Acquisition of non-controlling interests

Palantrou Pty Ltd

On 2 May 2014, the Group acquired Palantrou Pty Ltd, trading as Next Generation Fertility. The acquisition accounting as at 30 June 2014 was performed on a provisional basis and has been updated as at 30 June 2015. Other liabilities included in the acquisition accounting has been increased by $120,000 which has subsequently increased goodwill by $120,000.

Yoncat Pty Ltd

On 16 July 2013 the Group obtained control of Yoncat Pty Ltd trading as Reproductive Medicine Albury by acquiring 100% percent of the shares and voting interests in the company. During the year, the acquisition accounting has been finalised and the identifiable assets acquired and liabilities assumed have not changed since 30 June 2014.

KL Fertility & Gynecology Centre Sdn Bhd

In June 2014, the Group acquired the remaining 36.3% non-controlling interests in KL Fertility & Gynecology Centre SDN BHD for $7.15m by issuing 3,866,753 Monash IVF Group Ltd ordinary shares at a price of $1.85 per share. The acquisition increased the Group's ownership in KL Fertility & Gynecology Centre SDN BHD to 100%.

The carrying amount of KL Fertility & Gynecology Centre SDN BHD's net assets in the Group's financial statements on the date of acquisition was $0.3m. Amounts recorded in non-controlling interest have been transferred to retained earnings.

23 Employee equity plans

Under the Company's Long Term Incentive ("LTI") Plan, awards (constituting SARs, performance rights or options, or any different class or category of award on such terms as the Board determines) may be offered to eligible persons (including executives, contractors, senior management, doctors and other employees) selected by the Directors. Mr James Thiedeman (CEO) and Dr Richard Henshaw (Executive Director) (and other executive Directors from time to time) are eligible to participate under the LTI Plan.

The LTI plan is a performance options plan with vesting rights dependent upon the satisfaction of pre-defined performance hurdles and continuous employment. Current performance hurdlers are based on achievement of pre-defined Earning Per Share ("EPS") Hurdles 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.

The Group has developed two LTI Programmes for:

1. Senior Executives
2. Fertility Specialists

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 will not be listed and may not be transferred, assigned or otherwise dealt with except with the approval of the Directors.

Awards will only vest where the conditions (if any) 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 Group (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.

Where there is a takeover bid or a scheme of arrangement proposed in relation to the Group, 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 Group, 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 attaching 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 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.

24 Share-based payments arrangements

Share Option programme (equity settled)

The Group established share options programme that entitle key management personnel to purchase shares in the Company. On 30 July 2014, the Group issued 1,000,000 share options to key management personnel of the Group. Under this programme, the holders of vested Share options are entitled to purchase shares at the market price of the shares at the grant date. There were no payments in order to be granted those options and there will be no loan from the Company for the acquisition of shares upon vesting of the options.

The key terms and conditions related to the grants under the programme is as follows:

Grant date/employees entitled	Number of instruments ('000)	Vesting conditions	Contractual life of options
Rights granted to key management personnel:			
30 July 2014	1,000	Three years' service from grant date and subject to meeting certain EPS and Total Shareholder Return ("TSR") hurdles	5 years
Total share options	**1,000**		

Measurement of fair values

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:

	Share Rights Programme Key Management Personnel 2015
Fair value at grant date (EPS condition)	$0.21
Fair value at grant date (TSR condition)	$0.19
Share price at grant date	$1.73
Exercise price	$1.85
Expected volatility	24%
Expected life	4
Expected dividends	4.55%
Risk-free interest rate (based on government bonds)	2.82%

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 option holder behavior.

24 Share-based payments arrangements continued

Reconciliation of outstanding share options

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

	Number of options '000	Weighted average exercise price $
Outstanding at 1 July 2014	–	
Granted during the year	1,000	1.85
Forfeited during the year	(200)	1.85
Outstanding at 30 June 2015	**800**	**1.85**

25 Cash flow information

	Consolidated	
	2015 $'000	2014 $'000
Reconciliation of profit after income tax to net cash inflow from operating activities		
Profit for the period	21,373	4,852
Adjustments for:		
Net finance expense	4,726	23,525
Depreciation and amortisation	3,417	2,891
Income tax expense	9,328	(6,767)
Share options expense	36	–
IPO transaction costs	–	12,281
Operating profit before changes in working capital and provisions	**38,880**	**36,782**
Increase/(Decrease) in trade and other receivables	701	(466)
(Decrease)/Increase in other assets	(1,118)	1,371
Increase/(Decrease) in trade and other payables	1,560	(412)
Decrease in provisions and employee benefits	121	455
Income taxes paid	(4,136)	(1,508)
Net cash from operating activities	**36,008**	**36,222**

26 Commitments

Capital commitments

The Group had $0.3m of capital expenditure contracted for at the end of the reporting period but not recognised as a liability (2014: $1.2m).

Non-cancellable operating leases

The group has various non-cancellable operating leases expiring within 1 to 10 years which are subject to varying terms.

	2015 $'000	2014 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
within one year	4,469	3,944
later than one year but no later than five years	13,766	12,909
later than five years	4,227	3,216
	22,462	**20,069**

Total lease expenses recognised in profit or loss is $4.93m (2014: $4.07m).

27 Related party transactions

Parent entity

Refer to Note 31.

Subsidiaries

Interests in subsidiaries are set out in Note 29.

Key management personnel

	2015 $'000	2014 $'000
Compensation		
Short-term employee benefits	1,307	1,478
Post-employment benefits	99	67
Long-term benefits	36	30
Total key management personnel compensation	**1,442**	**1,575**

Detailed remuneration disclosures are provided in the remuneration report.

27 Related party transactions continued

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.

	2015 $'000	2014 $'000
Purchase of goods and services		
Fees paid – Ironbridge Capital Management Pty Ltd[(i)]	80	1,280
Clinician fees[(ii)]	–	582
	80	**1,862**

(i) Ironbridge Capital Management Pty Ltd, a related party through common directorship up to 26 June 2014, provided services to the Group relating to provision of directors and restructuring.

(ii) Key management personnel received clinician fees for services provided to patients.

28 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:

	2015 $	2014 $
Audit services – KPMG		
Audit and review of financial statements	302,000	505,000
Other services – KPMG		
Other assurance services	11,000	33,000
Taxation services	40,000	110,000
Total other services – KPMG	**51,000**	**143,000**
Other Auditors (Non-KPMG)		
Audit and review of financial statements	7,500	5,000
Total services	**360,500**	**653,000**

29 Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described above.

	Place of business/country of incorporation	Ownership 2015 %	Ownership 2014 %
Parent Entity			
Monash IVF Group Limited	Australia	–	–
Healthbridge Enterprises Pty Ltd	Australia	100.0	100.0
Monash IVF Group Acquisitions Pty Ltd	Australia	100.0	100.0
Healthbridge IVF Holdings Pty Ltd	Australia	100.0	100.0
Healthbridge Shared Services Pty Ltd	Australia	100.0	100.0
Healthbridge Repromed Pty Ltd	Australia	100.0	100.0
Repromed Finance Pty Ltd	Australia	100.0	100.0
Repromed Holdings Pty Ltd	Australia	100.0	100.0
Repromed NZ Holding Pty Ltd	Australia	100.0	100.0
Repromed Australia Pty Ltd	Australia	100.0	100.0
Adelaide Fertility Centre Pty Ltd	Australia	100.0	100.0
Monash IVF Holdings Pty Ltd	Australia	100.0	100.0
Monash IVF Finance Pty Ltd	Australia	100.0	100.0
Monash IVF Pty Ltd	Australia	100.0	100.0
Monash Reproductive Pathology and Genetics Pty Ltd	Australia	100.0	100.0
Monash Ultrasound Pty Ltd	Australia	100.0	100.0
Monash IVF Auchenflower Pty Ltd (formerly Wesley Monash IVF Pty Ltd)	Australia	100.0	100.0
Yoncat Pty Ltd	Australia	100.0	100.0
My IVF Pty Ltd	Australia	100.0	100.0
ACN 169060495 Pty Ltd	Australia	100.0	100.0
Palantrou Pty Ltd	Australia	100.0	100.0
ACN 166701819 Pty Ltd	Australia	100.0	100.0
ACN 166702487 Pty Ltd	Australia	100.0	100.0
KL Fertility & Gynaecology Centre SDN. BHD	Malaysia	100.0	100.0
Sydney Ultrasound for Women Partnership	Australia	100.0	–
Ultrasound Diagnostic Services Trust No.2	Australia	100.0	–
ACN 604384661 Pty Ltd	Australia	100.0	–
Ultrasound Diagnostic Services Pty Ltd	Australia	100.0	–
Fertility Australia Pty Ltd	Australia	100.0	–
Fertility Australia Trust	Australia	100.0	–

29 Controlled entities continued

As of 26 June 2014, the ultimate parent entity of the Group is Monash IVF Group Ltd, which is domiciled and incorporated in Australia.

Prior to 26 June 2014, the ultimate controlling party of the Group was Ironbridge Fund II LP.

The Group holds a 25% interest in ISIS Fertility Unity trust. The performance of ISIS Fertility Unit Trust is not considered material to the Group.

As part of the Sydney Ultrasound for Women acquisition, the Group acquired 100% of A Boogert Pty Ltd, Robert D. Robertson Pty Ltd, Andrew Mclennon Pty Ltd, Fergus Scott Pty Ltd and Sashi Savi Pty Ltd. The entities are dormant as at 30 June 2015.

30 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 Class Order 98/1418 (as amended) 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 Class Order 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 166701 819 Pty Ltd
- HBIVF Johor Bahru Lab Pty Ltd
- My IVF Pty Ltd
- Healthbridge Repromed Pty Ltd
- Monash IVF Holdings Ply 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

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 2015 is set out as follows:

	2015 $'000	2014 $'000
Extract of the statement of profit or loss and other comprehensive income		
Profit/(Loss) before tax	30,154	(1,972)
Income tax (expense)/benefit	(8,844)	7,264
Net profit after tax	**21,310**	**5,292**
Other comprehensive income/(loss)		
Profit for the period	21,310	5,292
Items that may be subsequently be reclassified to profit or loss		
Cash flow hedges	(673)	280
Tax on cash flow hedges	202	(84)
Other comprehensive income for the year, net of tax	**20,839**	**5,488**
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	(154,465)	(102,335)
Profit for the period	21,310	5,292
Changes in ownership interest in subsidiaries that do not result in change in control	–	(31,856)
Dividends paid – ordinary shares	(7,510)	(25,566)
Retained earnings at the end of the financial year	**(140,665)**	**(154,465)**

30 Deed of cross guarantee continued

Statement of financial position	2015 $'000	2014 $'000
Current assets		
Cash and cash equivalents	7,910	8,588
Trade and other receivables	2,827	2,931
Other assets	3,419	2,616
Total current assets	**14,156**	**14,135**
Non current assets		
Investment in subsidiaries	15,873	12,373
Trade and other receivables	27,918	448
Property, plant and equipment	11,203	9,002
Intangible assets	214,410	214,527
Deferred tax assets	409	2,052
Total non current assets	**269,813**	**238,402**
Total assets	**283,969**	**252,537**
Current liabilities		
Trade and other payables	16,672	17,775
Borrowings	729	56
Current tax liability	3,416	723
Employee benefits	5,628	5,405
Total current liabilities	**26,445**	**23,959**
Non current liabilities		
Borrowings	106,260	95,486
Employee benefits	827	858
Contingent consideration	–	1,000
Total non current liabilities	**107,087**	**97,344**
Total liabilities	**133,532**	**121,303**
Net assets	**150,437**	**131,234**
Equity		
Contributed equity	428,347	422,566
Reserves	(137,245)	(136,867)
Retained earnings	(140,665)	(154,465)
Total equity	**150,437**	**131,234**

31 Parent entity disclosures

Summary financial information

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

	2015 $'000	2014 $'000
Results of parent entity		
Profit/(Loss) after tax	9,284	(8,718)
Other comprehensive income	–	–
Total comprehensive income/(loss)	**9,284**	**(8,718)**
Financial position of the parent entity at year end		
Current assets	421,295	408,311
Total assets	**425,161**	**413,898**
Current liabilities	(3,758)	50
Total liabilities	**(3,758)**	**50**
Net assets	**421,403**	**413,948**
Total equity of the parent entity comprising of:		
Share capital	428,347	422,566
Retained earnings	(6,944)	(8,718)
Total equity	**421,403**	**413,848**

Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any capital commitments for the acquisition of property, plant or equipment as at 30 June 2015 (2014: 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.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 30.

32 Events occurring after the reporting period

On 27 August 2015, 1,527,926 shares were released from escrow following the retirement of a doctor.

On 28 August 2015, a fully franked dividend of 3.70 cents per share was declared. The record date for the dividend is 11 September 2015 and the payment date for the dividend is 15 October 2015.

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

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 51 to 99 and the Remuneration report on pages 36 to 49 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 2015 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 29 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 Class Order 98/1418.
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 2015.
4. The Directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

Dated at Sydney, 28th day of August 2015

Mr Richard Davis
Chairman

Mr Benjamin ('James') Thiedeman
Chief Executive Officer

Independent Auditor's Report

Independent auditor's report to the members of Monash IVF Group Limited

Report on the financial report

We have audited the accompanying financial report of Monash IVF Group Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (cont.)

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is 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 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 36 to 48 of the directors' report for the year ended 30 June 2015. 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 responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Monash IVF Group Limited for the year ended 30 June 2015, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne

28 August 2015

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 13 October 2015.

Distribution of Shareholders – ordinary Shareholders

Size of Holding	No of Shareholders	Ordinary Shares	% of issued capital
1 to 1,000	867	581,006	0.25%
1,001 to 5,000	2,073	5,996,010	2.55%
5,001 to 10,000	1,029	7,963,808	3.38%
10,001 to 100,00	1,216	30,261,962	12.86%
100,001 and over	109	190,592,652	80.97%
Total	**5,294**	**235,395,438**	**100.00%**

Based on a closing share price of $1.34 on 13 October 2015, the number of shareholders holding less than a marketable parcel of 374 securities is 115 and they hold 27,671 shares.

20 Largest Shareholders – Ordinary Shareholder

Rank	Name	No. of fully paid shares	% of Issued Capital
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	43,014,301	18.27
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,533,505	9.57
3	NATIONAL NOMINEES LIMITED	18,510,943	7.86
4	ARGO INVESTMENTS LIMITED	7,711,645	3.28
5	GATTACA HOLDINGS NV	7,607,352	3.23
6	NATIONAL NOMINEES LIMITED	6,625,038	2.81
7	CITICORP NOMINEES PTY LIMITED	6,217,663	2.64
8	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	5,887,720	2.50
9	UBS NOMINEES PTY LTD	4,729,864	2.01
10	PACIFIC CUSTODIANS PTY LIMITED	3,612,320	1.53
11	CITICORP NOMINEES PTY LIMITED	3,481,876	1.48
12	CS FOURTH NOMINEES PTY LTD	2,817,952	1.20
13	BNP PARIBAS NOMS PTY LTD	2,319,138	0.99
14	KELTON PAUL TREMELLEN	2,218,977	0.94
15	IPPOLITI PTY LTD	2,011,336	0.85
16	AUST EXECUTOR TRUSTEES LTD	1,973,066	0.84
17	AUST EXECUTOR TRUSTEES LTD	1,973,066	0.84
18	VOLLENHOVEN INVESTMENTS PTY LTD	1,877,539	0.80
19	MR PRASHANT NADKARNI	1,826,855	0.78
20	DR ROBERT IAN McLACHLAN & MRS EDWINA MARGARET McLACHLAN	1,759,414	0.75
Total		**148,709,570**	**63.17**
Balance of register		**86,685,868**	**36.83**
Grand total		**235,395,438**	**100.00**

Shareholder Information (cont.)

Substantial Shareholders

Rank	Name	No. of fully paid shares	% of Issued Capital
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	43,014,301	18.27
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,533,505	9.57
3	NATIONAL NOMINEES LIMITED	18,510,943	7.86

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 Ltd are listed by ASX Ltd on the Australian Securities Exchange trading under "MVF".

Directors

Mr Richard Davis – Chairman

Ms Christy Boyce

Mr Neil Broekhuizen

Mr Joe Czyzewski

Dr Richard Henshaw

Mr James Thiedeman

Company Secretary

Mr Michael Knaap

Share Registry

Link Market Services
Level 12
680 George Street
Sydney, NSW, 2000

Phone: 1300 554 474

Legal

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Melbourne VIC 3000

Phone: (03) 9286 6000

Auditor

KPMG
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Melbourne, VIC, 3000

Corporate Office

Pelaco Building
Level 1
21-31 Goodwood Street
Richmond, VIC, 3121

Phone: 03 9427 9188

Website

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www.colliercreative.com.au #MON0005