Invest in life

Annual Report 2016

MONASH IVF GROUP

It's about exceptional care

That's why at Monash IVF Group, our patients are at the centre of everything we do. It's what drives our research focus, innovation and the key reason why our people are deeply invested.

100+
dedicated doctors

A Monash IVF Group baby is born every
2.5hrs

35,000
babies and counting

Annual General Meeting

2016 AGM Details –
Thursday, 24 November 2016
Monash Conference Centre
Seminar Rooms 2 & 3
Level 7, 30 Collins Street
Melbourne VIC 3000
at 2:00pm (AEDT).

Monash IVF Group Limited

Our focus has been to continue to develop industry leading science and technology in the assisted reproductive services and broader womens health sector so our patients' prospects to deliver a baby are as strong as possible.

We have a 40-year history of leadership in scientific excellence and clinical innovation The Group continues to invest in research and innovation across the clinical network including through the Monash IVF Research and Education Foundation.

Contents

An online 2016 Annual Report is available at www.monashivfgroup.com/Investor-Centre


and extraordinary outcomes

FY16 Highlights

Revenue
$156.6m

FY15 $125.0m
Up 25.3% on pcp

NPAT
$28.8m

FY15 $21.4m
Up 34.6% on pcp

EBITDA
$49.6m

FY15 $38.8m
Up 27.6% on pcp

Cash Conversion[1]
99.1%

FY15 103.3%
Down 4.1% on pcp

Total FY16 Dividend
8.5c

FY15 6.95 cents
Up 22.3% on pcp

Basic EPS
12.2c

FY15 9.2 cents
Up 32.6% on pcp

$m	FY16	FY15	% change
Group revenues	$156.6	$125.0	25.3%
EBITDA	$49.6	$38.8	27.6%
EBIT	$45.4	$35.4	28.1%
NPAT	$28.8	$21.4	34.6%
EPS (cents)	12.2	9.2	32.6%
DPS (cents)	8.50	6.95	22.3%
Cash Inflow from Operations	$44.2	$36.0	22.8%
Net Debt	$86.5	$96.8	
Net Debt to Equity ratio(1)	55.9%	67.2%	
Return on Equity (pa.)(2)	19.3%	15.9%	

(1) Net Debt to Equity is calculated using Net Debt divided by equity as at 30 June 2016.

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

Investing in Excellence

Chairman's Report

It gives me great pleasure to present the 2016 Annual Report for Monash IVF Group.

Monash IVF Group has delivered a strong financial result for 2016 derived from a business focus on developing and maintaining industry leading science and technology in assisted reproductive services and womens imaging.

Group revenues were up 25.3% to $156.6m. Reported net profit after tax (NPAT) increased 34.6% to $28.8m. The board has declared a fully franked final dividend of 4.5 cents per share. The total fully dividend per share for FY16 is 8.5 cents and represents a dividend payout ratio of 70%.

Revenue growth was driven by total IVF patient treatments up 12.9% on the previous year, well above industry growth rates. Monash IVF Group continues to grow overall market share and has made inroads in the NSW market, growing market share from 5.6% to 8.3%. In the Victorian and South Australian markets – where we are a significant player – we maintained market share.

Our low intervention assisted reproductive services clinics continue to gain momentum and are making an improved contribution to the Group. Patient treatments delivered by these clinics now represent 5% of total patient treatments. These services are complementing our full service clinics.

The combination of Sydney Ultrasound and Monash Ultrasound for Women's 17 locations now represents almost 17% of Monash IVF Group's revenues, providing greater diversification of earnings and an opportunity for the cross referral of services.

KL Fertility in Malaysia continues its growth trajectory, with revenues up 10.7% and patient treatments up almost 20%. Our newer fertility specialists in our KL clinic are continuing to build their volumes.

Our science and research investment is also paying dividends as we've continued to see a strong uptake by patients using our leading embryo genetic screening technology, with demand for the test up over 70% on the prior period. We have also seen a quadrupling of our non-invasive pre-natal testing (NIPT) to more than 9000 tests in FY16. We are proud to offer our patients such unique and important diagnostic testing services that can make a significant difference to the likelihood of a healthy pregnancy outcome.

We've also invested in new reproductive consulting locations in key suburbs to broaden our geographic footprint. We've expanded our Gold Coast presence with a new purpose built clinic, and added new ultrasound clinics in Sunshine and Berwick. Our Malaysian clinic will soon relocate to a superior facility over the coming months to assist with future growth.

The strong financial results for 2016 confirm and validate the Group's strategy. The results also give the company the confidence to continue exploring the right growth opportunities in existing markets, and further afield.

On behalf of the Board and all shareholders, I would like to thank James and the management team for delivering a significant financial result. Thanks also goes to the Group's dedicated and passionate doctors, nurses, scientists and support staff that make sure every patient is provided superior care.

I also express the Board's thanks to the company's shareholders for their continued support. I invite you to join the Board and the senior leadership team at our Annual General Meeting in November.

Richard Davis
Chairman
Monash IVF Group

Investing in Growth

CEO/Managing Director's Report

Monash IVF Group's strong FY16 performance reflects the quality of our businesses, a clearly articulated and executed growth strategy, and the commitment of our employees and doctors to delivering high standards of care to patients across our facilities.

We've enjoyed a strong year of both revenue and EBITDA growth across all services and businesses. This growth has come from ensuring our core strategy of focusing on high quality research-led reproductive services and imaging is at the core of everything we do. Our position remains unchanged- to be a leader in scientific and clinical innovation driven by a philosophy of "excellence in science and care".

We now have an expanded network of fertility related services with over 40 IVF clinics, ultrasound practices and service centres across Australia and Malaysia. Our network also includes over 100 dedicated doctors, and in excess of 700 scientific, nursing, allied health and support staff.

Our heritage is such that we were there at the very conception of the assisted reproductive technology specialty, having achieved the world's first IVF pregnancy in 1973. Since then over 35,000 babies have been born with our help. A Monash IVF baby is born every two-and-a-half hours in Australia. By the time you've finished reading this annual report, we will have welcomed another Monash IVF Group baby into this world!

We now deliver approximately one in four of the IVF treatments undertaken in Australia. Our market share in-roads have been driven by our clinic network growing its domestic patient treatment numbers by 12.4% versus the prior corresponding period. This was well above industry growth rates.

We are exceptionally proud of the pregnancy success rates we deliver across our clinics. We have been marketing and promoting these assertively and as a result we are seeing market share gains across the Monash IVF Group.

Our NSW growth story is particularly impressive. We have gone from 0.6% market share a few years ago to 8.3% today through a mix of acquisitive and organic growth. Our Bondi Junction and Next Generation Fertility full service clinics in Sydney continue to go from strength to strength.

The fundamental drivers of growth in our industry remain sound and unchanged. Women continue to defer child birth until their mid to late 30s. Single women and same-sex couples seeking treatment also continues to rise. We are also supporting more patients through the use of donated gametes (eggs or sperm). These treatment programs are exceptionally important – and often the last available option – for patients unable to obtain biological assistance from family and friends.

Our low intervention clinics continue to gain momentum and are making an improved contribution to the Group. Patient treatments delivered by our BUMP and MyIVF clinics represented just over 5% of total patient treatments for the year. Our low intervention services are very much complementing our full service clinics with up-referral occurring into our full service clinic network.

Fundamental Drivers of Growth

1 Science, technology and patient success

- Continue to develop industry leading science and technology
- Deliver patients clinically superior services and increase market penetration
- Promote Monash IVF Group's scientific and clinical excellence with doctors and potential patients

2 Clinic expansion and acquisitions

- Review opportunities to increase Monash IVF Group's scale and market position in womens health, including ARS and imaging services in Australia
- Consider adjacent business opportunities in womens health
- Continue to look at international growth opportunities that meet our investment criteria, particularly building on our existing Asian hub

3 Lower intervention

- MyIVF (Brisbane) and BUMP IVF (Sydney) ramping up and making an improved contribution
- Monash IVF Group will continue to refine our low intervention model and consider expansion in suitable locations for additional low intervention clinics
- Strategic intent to grow to no more than 10% of Patient Treatments (currently 5.6%)

Ultrasound and Imaging

This year marks the first full year of ownership of our Sydney Ultrasound business, a business acquired in June 2015. We are comfortable with the way this business is performing. The combination of Sydney Ultrasound and Monash Ultrasound for Women's 17 locations now represents almost 17% of Monash IVF Group's revenues. We now provide in excess of 80,000 scans a year for a wide range of female health issues. The patient mix is both IVF patients and patients who have conceived spontaneously.

Our network of ultrasound practices has provided us with a wide geographic footprint to further promote our non-invasive prenatal testing (NIPT) to both IVF and non-IVF patients. This screening test can determine – with great certainty – whether a yet unborn baby has a high risk of being affected by a genetic condition. We saw a quadrupling of our NIPT testing numbers to in excess of 9000 tests. As a result of the growth in this test – and our strong in-house research and development capabilities – we will be bringing this testing in-house to offer a more contemporary and faster service to our patients.

We now provide in excess of

80,000

scans a year for a wide range of female health issues

17

ultrasound clinic locations

Research and Development

We continue to invest heavily in research across our clinic network and through the Monash IVF Research and Education Foundation with considerable quarantined funding made available to drive activities aimed at improving treatment outcomes for our patients. We currently have 34 projects underway and funded. Many of these research activities are undertaken in collaboration with some of Australia's leading universities and research institutes which we have deep and long term relationships. The Group has successfully submitted over 50 scientific papers and presentations both locally and internationally. A number of these research initiatives have already provided us with stepped improvements to our already leading reproductive treatment methods.

The Group's "Embryo Screen" technology remains amongst the most advanced embryo genetic screening test available in Australia. We've continued to see a strong uptake of this test which is up over 70% on the prior corresponding period. We continue to offer patients world's best technology in this area through our next generation sequencing platform. Almost one in five our patients undergoing IVF treatment are now availing themselves of our Embryo Screen technology. This technology greatly assists in choosing the very best embryo and greatly improves our patients' chance of a successful pregnancy.

International

Our international operation on the Malaysian peninsula – KL Fertility – continues its growth with revenues up 10.7% and patient treatments up almost 20%. Our newer fertility specialists continue to build their volumes and local profiles. We are now well advanced on the construction of a much larger premise in Kuala Lumpur to accommodate stronger volumes and improved patient amenity.

2

Day Hospitals

Fertility Specialists

We continue to strengthen our medical specialist team – which grew to 103 net of two planned retirements. Our approach of careful and systematic succession planning and transitioning of patients to our younger up and coming doctors is working well.

We have deep experience and passion across our medical, scientific and nursing teams. To further enhance cross-pollination of clinical learnings across the Group and to increase commercial engagement with our medical teams, we established two peak committees: the Group Medical Advisory Committee and the Group Medical Executive Committee. We've also appointed an inaugural Group Medical Director, Professor Luk Rombauts, who is one of our long serving fertility specialists.

Our dedicated staff continue to play the defining role in our success. 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. The reproductive journey for some of our patients can be emotionally trying. I am proud of the support and care – and the dedicated lengths our staff go to – to provide our patients with the best chance of having a child. We are now working at further enhancing the Monash IVF Group as the natural employer of choice in our industry.

Internally, we have strengthened our support services across HR, finance, procurement, marketing and business development to ensure we can deliver on our growth ambitions. I am also supported by a very experienced and strong management team. In particular, I'd like to thank Michael Knaap, Group CFO and Company Secretary, for his work over the past 12 months in further improving the Group's balance sheet and his financial discipline that has put us in a strong position for growth. I am also grateful to Richard Davis and the Board who have provided valuable direction and guidance to the senior management team.

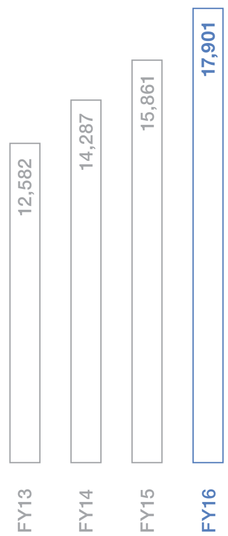
Finally, I would like to thank all of the dedicated and committed staff at Monash IVF Group. Through your hard work and commitment to our vision and values, we are able to achieve world class outcomes for our patients. I look forward to working with you in the coming year to further build on the success of the last year.

James Thiedeman
Managing Director and
Chief Executive Officer
Monash IVF Group

Track record of strong financial performance

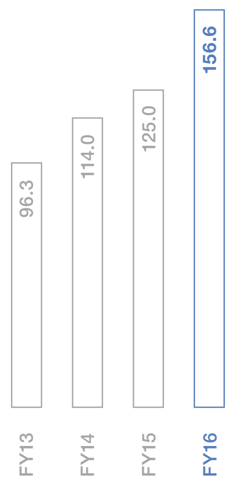
Number of Patient Treatments[1]

3 year CAGR[3] of 12.5%



Revenue ($m)

3 year CAGR[3] of 17.6%



Notes:

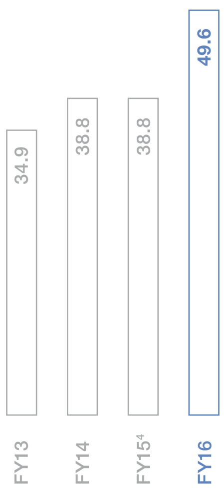
1. Patient Treatments are the sum of fresh and cancelled cycles and frozen embryo transfers.
2. FY13 re-stated to results in June 2014 Prospectus. FY14 adjusted to exclude IPO costs and restructuring costs
3. CAGR is Compound Annual Growth Rate
4. FY15 earnings were impacted unfavourably by below industry trend growth rates and one off start up and acquisition costs of $2.5m, (Pre-tax).

Investing in Performance

CFO Report

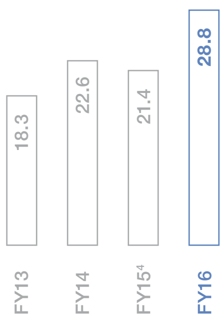
EBITDA ($m)[2]

3 year CAGR[3] of 12.4%



NPAT ($m)[2]

3 year CAGR[3] of 16.3%



Strong revenue growth of 25.3% or $31.6m enabled Monash IVF Group to deliver a 34.6% increase in reported NPAT to $28.8m in FY16.

The most pleasing aspect of the growth is that 10.7% of the revenue growth was organic, driven by both market share growth and above trend IVF industry growth rates, but also 14.6% of the revenue growth was derived through acquisitions from our Sydney Ultrasound for Women business and the Monash IVF Bondi Junction business.

As a result of the revenue growth we experienced EBITDA growth of 27.6% to $49.6m, whilst our EBITDA margins improved 70 basis points to 31.7% as we generated the benefits of leverage.

The FY16 earnings growth further consolidates a track record of strong financial performance with a 16.3% compound annual growth rate increase in NPAT over the previous 3 years.

Domestically, our growth enabled a strong performance and delivered revenue growth of $31.0m, or 26%, in the Australian market. This enabled a 29.3% growth in onshore EBITDA. We again had strong revenue growth of 10.7% in our Kuala Lumpur clinic in Malaysia, where we generated an EBITDA of $2.4 million, which was up on the prior year.

A real strength of our business is the excellent cash flow generation and earnings conversion whereby we generated $44.2 million in net operating cash flow at a pre-tax cash flow conversion of nearly 100.0%. As a result of the strong cash flow we were able to pay down $11.8 million in absolute debt and fund dividend payments in the period of $18.1 million. We also supported a significant capital expenditure program of $8.2 million in FY2016 geared around improved patient management systems, new technologies and services for our patients and investment in upgrading and relocating clinic facilities.

A strong balance sheet improved further during FY16 with net debt to equity ratio of 55.9% at 30 June 2016 versus the prior year at 67.2%. We have built balance sheet capacity to support strategic growth opportunities and currently have access to further debt of $60m.

In June 2016, we re-financed our Syndicated Debt Facility with a new $110m term debt facility and $5m working capital facility. In addition, a $40m accordion facility is available for strategic growth opportunities. The new Syndicated Debt Facility has a blended 3, 4 and 5 year maturity profile.

All of our capital management metrics have improved on the prior year with significant headroom in all of our banking covenants. Our key leverage ratio was at 1.75 times, which improved from 2.14 times in the previous year. Our interest cover was strong at 11.8 times, improved from 9.9 times in the previous year. In addition our key capital return metrics all improved on prior year with a 19.3% return on equity and a 10.1% return on assets for FY16.

The board declared a 4.5 cents fully franked FY2016 final dividend, bringing the total fully franked dividend in FY16 to 8.5 cents per share, 22.3% growth on prior year and representing a 70% dividend payout ratio.

Michael Knaap
Chief Financial Officer
and Company Secretary
Monash IVF Group

Investing in Expertise

Group Medical Director's Report

500+

laboratory and medical staff

As the inaugural Group Medical Director for the Monash IVF Group of companies I am pleased to announce the progress we have made in improving and enhancing our medical processes and the sharing of expertise and innovation across the group.

We have established two peak committees that will help us to maintain our scientific leadership and competitive edge in IVF and womens imaging. They will also assist with the cross pollination of best practice clinical protocols and innovation across the group.

The role of the Group Medical Advisory Committee (GMAC) is to ensure patients receive the best possible personalised care through establishing and maintaining optimal clinical processes and procedures.

The second key committee is the Group Medical Executive Committee (GMEC) which facilitates appropriate consultation and communication in relation to relevant commercial and operational matters with medical practitioners across the Group.

We've already made great inroads into a number of areas. A framework for succession planning is well advanced to develop career pathways for younger doctors and scientists. This will ensure suitable transitional arrangements and career/professional advancement opportunities are available across the Group. We expect this will further strengthen Monash IVF Group's position as the employer of choice in fertility services.

The Group's live birth rates – the critical outcome by which our industry gets measured – remain amongst the best internationally and continue to improve across all age cohorts. We are very proud of our ability to translate new scientific developments and innovations efficiently and effectively into our daily work practices to give our patients access to cutting-edge fertility care.

We are fortunate that much of the research that drives our clinical innovation is generated by leading investigators within the Monash IVF Group.

As a group of companies with more than 500 laboratory and medical staff we have been able to develop strong mechanisms to disseminate clinical best practice across the group. This has a few elements including disseminating the latest research – both internally and from around the world. We also review the most difficult cases internally to see whether there are common themes or whether other group members can contribute their expertise.

Our capability to provide crucial services in womens imaging has also greatly strengthened with a rapidly growing team of clinicians and technicians highly skilled in ultrasound scanning of the infertile and pregnant woman. Their services have recently expanded to include screening for early onset preeclampsia, a severe complication of pregnancy. In addition, non-invasive prenatal testing (NIPT) will now be offered through a fast and high-quality in-house service allowing expecting mothers to have their first trimester pregnancies to be genetically screened in a safe and affordable way.

We are proud of all 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".

Professor Luk Rombauts
Group Medical Director
Monash IVF Group





Investing in Science

Scientific Directors' Report

Over the past 12 months the genetic screening program at Monash IVF Group has expanded rapidly, with the introduction of new technologies and an increase in patient volumes.

Our Preimplantation Genetic Screening (PGS) program has become an increasingly popular treatment option with patients. The PGS program involves screening IVF embryos for chromosome abnormalities associated with implantation failure, miscarriage or abnormalities at birth (eg: Down syndrome).

Genetic screening is a reproductive option available to couples at risk of passing a chromosome abnormality or single gene disorder on to their child. Genetic screening involves screening IVF generated embryos for genetic conditions prior to embryo transfer, with only unaffected embryos transferred to the uterus. This testing helps ensure the embryo that is selected for transfer has the best possible chance of developing into a healthy baby.

Only embryos which are found to have the correct number of chromosomes – and therefore the greatest potential to result in a healthy live birth – are selected for transfer. Research trials have demonstrated this technology has the capacity to significantly improve clinical outcomes for patients.

While initially targeted at patients older than 36 or patients with recurrent IVF failure or miscarriage, many of our IVF doctors are now referring all patients for genetic screening irrespective of age or reproductive history. Today, one in five patients is availing themselves of this cutting-edge screening technology.

Monash IVF Group has offered genetic screening since 1994 and is one of the few centres in Australia that specialises in this area of reproductive medicine. Our highly specialised in-house genetics team is responsible for providing genetic screening services not only to our own patients, but also to patients undergoing IVF cycles at numerous external IVF clinics throughout Australia and New Zealand.

Significant milestones have also been achieved in our Preimplantation Genetic Diagnosis (PGD) program, with our genetic scientists being the first in the world (outside the beta test sites) to be trained in a new PGD technology called Karyomapping.

Karyomapping is suitable for patients at risk of passing a single gene disorder (eg: Cystic Fibrosis) on to their child, and is used to distinguish between affected and unaffected embryos. Only embryos which are found to be unaffected for the condition of interest are selected for transfer to the uterus.

Karyomapping offers several significant benefits over previous PGD technologies, including a significantly reduced turnaround time for test development/validation, as well as the capacity to detect some chromosome abnormalities associated with implantation failure, miscarriage, or abnormalities at birth.

Alongside the clinical genetics program, our genetic scientists have been involved in numerous research studies aimed at improving our existing genetics program. Our scientists have also been actively involved in national and international conferences, with the aim of ensuring that Monash IVF Group continues to offer the highest quality of care to our patients.

J Mullen

Ms Jayne Mullen.
Acting Scientific Director Victoria

Dr Hassan Bakos.
Scientific Director New South Wales

Dr Deirdre Zander-Fox.
Regional Scientific Director
for Monash IVF Group

"Our Preimplantation Genetic Screening (PGS) program has become an increasingly popular treatment option with patients. The PGS program involves screening IVF embryos for chromosome abnormalities associated with implantation failure, miscarriage or abnormalities at birth (eg: Down syndrome)."

Monash IVF Group Research and Education

FY16 has been an excellent year for scientific and clinical research achievement across the Monash IVF Group, made possible by the enthusiastic and innovative contributions from our clinical, embryological and medical imaging staff.

50+
Scientific papers

presented by our doctors, staff and collaborators

The Monash IVF Group has been a leader in ART practice and research in Australia for four decades and is committed to maintaining its preeminent role in the field through the Monash IVF Group Research and Education Foundation (MREF). Its membership includes representatives from our Queensland, NSW, Victoria, and Adelaide programs, the latter two with longstanding and deep connections with research and teaching at Monash and Adelaide Universities, respectively. The rapid growth of our medical imaging programs in Victoria and NSW, with their strong culture of research, adds an important dimension to our ability to undertake clinical research in womens' health. The MREF network of academic and clinical leaders establishes the Monash IVF Group as a leader in fertility and reproductive research.

The goal of MREF is to provide a solid evidence-base for safe and effective novel treatments that lead to greater chances of a healthy pregnancy. This translation of 'knowledge into treatment' is based on both fundamental science and strong clinical interaction. Our collaborative associations with the Hudson Institute of Medical Research, and Monash and Adelaide Universities facilitate these endeavors and many members of MREF share joint appointments at these internationally recognized research institutions. Our success is evident from the research papers and presentations for the last year and our future research directions, as outlined in the current MREF 2015 Annual Report that can be found on the Monash IVF Group website.

FY16 saw initiatives focused on continued research to improve the understanding of embryo-endometrial interactions, the genetics of infertility and early embryonic development. Other work continues in fertility preservation, stem cells in the uterine lining and the roles of infectious agents in causing infertility. We also undertook the first ever randomized placebo-controlled trial of melatonin, a potent antioxidant. This research will report in late 2016.

The Repromed group focused on developing novel medical devices for clinical application. These projects were funded by joint NHMRC grants awarded to Professor Michelle Lane and Dr Deirdre Zander-Fox, and in collaboration with the University of Adelaide, have resulted in the creation of patents and IP for novel methods of culturing human embryos as well as non-invasive markers for embryo selection. Repromed also has a strong focus on clinical trials, such as the multi centre trial 'LIGHT' study on the efficacy of growth hormone, as well as low dose stimulation protocols and the impact of obesity on fertility. Professor Kelton Tremellen continues his novel research into the impact of chronic inflammation and obesity on the gut 'microbiome' on fertility and IVF success rates.

Across the Monash IVF Group, nurturing of young scientists and clinicians as future academic leaders is a priority. In collaboration with the Robinson Institute and The Gamete and Embryology Laboratory (headed by Professor Michelle Lane), Repromed focuses on supporting post graduate student research through scholarship support, internships and clinical research projects.

The Monash IVF Group's longstanding partnership with Monash University's Education Program in Reproduction and Development (EPRD), and the teaching at the University of Adelaide, are providing Graduate and Masters qualifications in reproductive science and embryology and are thereby addressing the national workforce needs in reproductive medicine. This helps ensure that embryology and related staff working in ART clinics and fertility services are provided with up-to-date knowledge and skills. These activities have resulted in multiple prestigious publications, presentations at national and international fertility conferences, as well as awards for research excellence.

The Clinical Observership program allows overseas clinicians to observe procedures at Monash IVF and to attend various specialist centres around Melbourne, along with access to Monash University facilities and EPRD's lab facilities. This program has an international reputation and in FY16 facilitated the tailored training programs to clinical specialists from Indonesia and India.

The Group's ultrasound group has a very active research agenda aimed at improving clinical care. Sydney and Monash Ultrasound for Women are undertaking a large joint study in Non Invasive Prenatal Testing in the ART population while other studies involve monitoring the health of ART pregnancies and exploring women's experience of a prenatal diagnosis of fetal abnormality.

Our presence at international meetings in FY16 continues to be strong and included presentations by Professor Luk Rombauts and myself at the 6th Congress of the Asia Pacific Initiative on Reproduction (ASPIRE) in Jakarta April 2016, Professor Kelton Tremellen at British Association of Clinical Embryologists meeting in Newcastle, UK and Dr Deirdre Zander-Fox at the 2015 PGDIS in Chicago.

Numerous publications across 2015 are listed in the full report and speak to the quality of research output from Monash IVF Group scientists and researchers. We congratulate Associate Professor Fabricio Costa on the recent awarding of a prestigious RANZCOG Scholarship to support a new research program on the relationship between uterine lining and IVF success. We also congratulate our Adelaide team for the awarding of the best papers for the 'Established' Leanne Pacella Ince and 'Young' scientists Helana Shedadeh at the national Scientists in Reproductive Technology (SIRT) meeting in May 2016, for work in the areas of genetic diagnosis of embryos and sperm DNA quality, respectively, and Professor Lane who was a finalist in South Australian Scientist of the year.

We are proud of the Monash IVF Group's research and educational reputation and we strive to maintain exceptional standards in research. We also acknowledge the extent to which our industry partners support the work of MREF through a number of independent research grants.

Monash IVF Group pregnancy rates remain amongst the best internationally, driven by our strong commitment to evidence based scientific protocols and research. We remain committed to the belief that excellence in science has its roots in understanding the basic biology and the collection of clinical evidence of safe and efficacy of new approaches to assist the infertile couple.

Professor Rob McLachlan
FRACP, PhD, AM,
Monash IVF Research and Education Foundation Chairman

Board of Directors

From left to right: Mr Richard Davis (Independent Chairman), Mr Josef Czyzewski (Independent Non-Executive Director), Ms Christina Boyce (Independent Non-Executive Director), Mr Neil Broekhuizen (Non-Executive Director), Mr Benjamin 'James' Thiedeman (Managing Director), Dr Richard Henshaw (Executive Director)

Management Team

From left to right: James Thiedeman (Group CEO), Professor Luk Rombauts (Group Medical Director), Anthony Gurney (General Manager Ultrasound), Professor Michelle Lane (Regional Manager), Tracey Scott (General Manager Victoria), Tom Sexton (General Manager Queensland), Tedd Fuell (Group Quality, Risk & Compliance Manager), Michael Knaap (Group CFO), Hamish Hamilton (General Manager South Australia & Northern Territory), Alan Pritchard (Group Chief Information Officer), Everard Hunder (Group Marketing Manager & Investor Relations), Amanda Mullins (General Manager New South Wales), Malik Jainudeen (Group Financial Controller)

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 ASX Listed company, Greencross Limited and Oneview Healthcare.

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

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

Mr Neil Broekhuizen

Non-executive Director

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

Neil has 23 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

Managing Director

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 22 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.

Financial Information

Contents

Directors' Report

For the Year Ended 30 June 2016

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 2016 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 is outlined on pages 28 and 29. Information on the Directors' responsibilities is outlined in the Corporate Governance Statement.

Principle activity

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

Operational and Financial Review

Monash IVF Group (ASX: MVF), a leading provider and driving force in fertility care, women's imaging and diagnostics in Australia and Malaysia, has reported a 25.3% lift in Group revenues to $156.6m and reported net profit after tax (NPAT) increase of 34.6% to $28.8m for the year ended 30 June 2016 (FY16).

$m	FY16	FY15	% Change
Group Revenue	$156.6	$125.0	25.3%
EBITDA(1)(2)	$49.6	$38.8	27.6%
EBIT	$45.4	$35.4	28.1%
NPAT	$28.8	$21.4	34.6%
EPS (cents)	12.2	9.2	32.6%
DPS (cents)	8.50	6.95	22.3%
Cash Inflow from Operations	$44.2	$36.0	22.8%
	FY16	FY15	
Net Debt	$86.5	$96.8	
Net Debt to Equity ratio(3)	55.9%	67.2%	
Return on Equity (pa.)(4)	19.3%	15.9%	

(1) EBITDA is a non-IFRS measure which is used by the Group as a key indicator of underlying performance
(2) EBITDA is earnings before interest, tax, depreciation and amortisation
(3) Net Debt to Equity is calculated using Net Debt divided by equity as at 30 June 2016
(4) Return on Equity is calculated using NPAT for the previous 12 month period divided by the average equity in the same period

Operational and Financial Review continued

Highlights for the period were:

- Revenue growth of $31.6m (25.3%) to $156.6m vs prior corresponding period (pcp) with 14.6% derived from acquisition and 10.7% from organic growth;
- NPAT increased 34.6% or $7.4m to $28.8m vs pcp;
- Growth in FY16 MVF Australian total Patient Treatments[(2)] was 9.8% on a like for like basis, well above industry wide growth rates. (Total growth including acquisitions was 12.4%);
- Total Australia ARS market share increased to 23.8% from 22.8% in pcp;
- Marginal growth in ARS market share in the Key Markets in which Monash IVF operates 39.7% vs 39.5% in pcp;
- Total industry IVF Patient Treatments[(2)] for FY16 in the Key Markets[(1)] in which MVF operates are up 8.2% on pcp;
- Gaining penetration in the New South Wales IVF market with 8.3% market share vs 5.6% in the pcp;
- Recently acquired businesses, Monash IVF Bondi Junction and Sydney Ultrasound for Women, have broadened our NSW footprint whereby NSW now represents 19.6% of total revenue vs 7.4% in pcp. Integration is in advanced stages;
- Low Intervention business continues to ramp up and making an improved contribution;
- Balance sheet strengthened and delivering a Return on Equity of 19.3% pa;
- Successful refinance of total debt facility in June 2016 with more favourable terms; and
- Established formal Group wide doctor feedback and engagement framework.

Revenue

Group revenues increased by $31.6m (25.3%) to $156.6m compared to FY15. Of the increase in revenue, 14.6% was derived from acquisitions and 10.7% from organic growth. A summary of the increase in revenues is detailed in the waterfall chart below:

FY16 Revenue Growth ($M)

(1) Key Markets include Victoria, South Australia, Queensland, Northern Territory and regional market of Albury, New South Wales

(2) Includes Fresh cycles, cancelled cycles and frozen embryo transfers

The following details key movements in revenue:

- **Market Growth:** $5.8m or 4.6% revenue growth due to overall ARS market growth experienced in all Australian states MVF operates in. For the twelve month period to 30 June 2016, Patient Treatments in Australia increased by 8.2% reflecting a reversion to long-term market trend growth rates of 4.1%.
- **Market Share:** $3.4m or 2.7% revenue growth as a result of ARS market share growth in Australia. Australian Fresh cycle market share(1) was up 1.3% derived from MVF's largest markets (Victoria, South Australia and New South Wales). Frozen Embryo Transfer (FET) market share was up 1.2% derived from growth in New South Wales, Queensland and South Australia, partly offset by some minor FET market share loss in Victoria as competitors catch up to MVF's clinical practice.
- **Minimal change in Patient Treatment mix:** Fresh cycles % of total Patient Treatments marginally reduced to 61.3% as compared to 61.6% in FY15. This marginal shift is due to stabilisation of "freeze all" clinical practice changes and strong growth in Frozen Embryo Transfers at MVF's lower intervention clinics as both BUMP and MyIVF mature with existing patients accessing their available cryopreserved embryos.
- **Price:** IVF Revenue per Patient Treatment was stable with price increases and additional PGS/D revenue offset by growth in low intervention IVF services.
- **Acquisitions:** $18.3m or 14.6% revenue growth from full year impact from Sydney Ultrasound for Women (acquired in June 2015) and Fertility East (re-branded to Monash IVF Bondi Junction and acquired in December 2014) acquisitions.
- **International:** $0.6m or 10.7% revenue growth in the International segment from KL Fertility & Gynaecological Centre. The growth is attributable to a 7.1% increase in Fresh cycle activity which was partly offset by unfavourable foreign exchange variances due to weakness in the MYR against the AUD.
- **Other revenue:** $2.2m revenue growth largely derived from related ARS services (predominately PGS and NIPT).

Patient Treatments

IVF Treatment numbers	FY16	FY15	% Change
Monash IVF Group – Australia			
IVF Cycles(1)	10,282	9,156	12.3%
Frozen embryo transfers	6,396	5,681	12.6%
Total IVF Patient Treatments	**16,678**	**14,837**	**12.4%**
Monash IVF Group – International			
IVF Cycles(1)	684	620	10.3%
Frozen embryo transfers	539	404	33.4%
Total IVF Patient Treatments	**1,223**	**1,024**	**19.4%**
Total Monash Group			
IVF Cycles(1)	10,966	9,776	12.2%
Frozen embryo transfers	6,935	6,085	14.0%
Total IVF Patient Treatments	**17,901**	**15,861**	**12.9%**
IVF Cycles(1) as a % of Total Patient Treatments	61.3%	61.6%	

Other Treatment numbers	FY16	FY15	% Change
Ultrasound Scans	80,270	24,284	230.5%
Pre-implantation Genetic Screening/Diagnosis	1,783	1,027	73.6%
Non Invasive Prenatal Testing (NIPT)	9,071	2,003	352.9%

(1) Fresh cycles (IVF cycles) include cancelled cycles

Operational and Financial Review continued

Patient Treatments continued

IVF Patient Treatments grew by 2,040 or 12.9% to 17,901 with 12.4% growth in Australia and 19.4% growth in International. Australian Fresh cycles grew by 12.3% with 1.6% of the growth derived from the full year impact of the Monash IVF Bondi Junction acquisition in 2015.

International fresh cycles increased by 10.3% reflecting growth from new doctor activity notwithstanding general economic weakness in the Malaysian market. International Frozen Embryo Transfers increased by 135 or 33.4% as the penetration of freeze all cycles increases from change of scientific protocol.

Ultrasound scan volumes increased by 230.5% as compared to FY15 as a result of the Sydney Ultrasound for Women acquisition. Pre-implantation Genetic Screening/Diagnosis (PGS/D) and Non Invasive Prenatal Testing continues to grow with improvements in this technology resulting in 73.6% and 352.9% growth respectively.

Expenditure before interest and tax

The table below provides a summary of Expenditure before interest and tax compared to FY15:

	FY16 $m	FY15 $m	% Change
Employee expenses	45.7	33.9	34.8%
Clinician fees	25.1	19.1	31.4%
Raw materials and consumables used	14.4	13.0	10.7%
Marketing and advertising expense	4.5	4.2	7.1%
IT and communications expense	2.6	2.6	0.0%
Property expenses	7.9	6.3	25.3%
Professional and other fees	3.0	2.0	50.0%
Start-up and acquisition costs	–	2.5	-100.0%
Other fixed costs	3.7	2.6	42.3%
Total operating expenditure	**106.9**	**86.2**	**24.0%**
% of Group revenues	68.3%	69.0%	
Depreciation and amortisation	4.2	3.4	23.5%
Total expenditure before interest and tax	**111.1**	**89.6**	**23.9%**
% of Group revenues	71.1%	71.7%	

The following details key expenditure movements in FY16 against FY15:

- **Employee benefits expense** increased by $11.8m or 34.8%. Of the increase, 21.3% is due to full year impact from FY15 acquisitions, 2.6% increase for management incentives, 2-3% average annual wage increases, head count investment made in scientific services and additional labour costs reflecting ARS activity increases;
- **Clinician fees** increased by $6.0m or 31.4%. Of the increase, 20.9% is due to full year impact from FY15 acquisitions whilst the remaining increase is derived from higher ARS activity and commensurate with revenue growth;
- **Raw material and consumables** largely increased in line with ARS revenue growth;
- **Marketing and advertising expense** increased by $0.3m or 7.1% as greater investment was made into targeted branded marketing initiatives in Key Markets and New South Wales;
- **Property expenses** increased by $1.6m or 25.3% which is primarily due to the impact from acquisitions;
- **Professional and other fees** increased by $1.0m or 50.0% due to higher legal and consulting services;
- **Other fixed costs** increased by $1.1m or 42.3% due to acquisitions and increased ARS activity commensurate with revenue growth;
- **Depreciation and amortisation** increased by $0.8m or 23.5% largely due to additional depreciation from SUFW, Monash IVF Bondi Junction and growth assets acquired.

EBITDA growth of 27.6% whilst margins improved to 31.7% due to:

- Benefits of cost base leverage as we experienced strong ARS volume growth;
- Effective cost management; and
- Impact of non-recurring start up and acquisition costs in FY15.

The EBITDA margin improvement was partially offset by the following:

- Anticipated margin dilution due to Sydney Ultrasound for Women acquisition;
- Low intervention ARS growth at lower than average margins; and
- Increase in provisions for management and fertility specialist incentives.

Net interest expense

The average debt levels during FY16 were higher than FY15, however interest expense is consistent with FY15 due to a lower cost of debt during the year.

Taxation

The effective tax rate has reduced to 29.1% compared to 30.3% in FY15 after recognition of research and development incentives available during the year and a reduction in the Malaysian corporate tax rate from 25% to 24%.

Segment analysis

	Australia			International		
$m	FY16	FY15	% change	FY16	FY15	% change
Revenue	150.4	119.4	26.0%	6.2	5.6	10.7%
Segment EBITDA[1]	47.2	39.0	21.0%	2.4	2.3	4.3%
Reported EBITDA	47.2	36.5	29.3%	2.4	2.3	4.3%
NPAT	27.1	19.7	37.6%	1.7	1.7	0.8%

(1) Segment EBITDA excludes start-up and acquisition costs

Key segment earnings highlights are detailed below:

Australia

Australia revenues increased by $31.0m (26.0%) to $150.4m vs pcp driven by:

- Market share growth in Key Markets and NSW;
- Reversion to trend IVF market growth rates;
- ARS Patient Treatment growth of 12.4% to 16,678;
- Acquisition growth from Monash IVF Bondi Junction (previously Fertility East) and Sydney Ultrasound for Women;
- Ramp up of lower intervention volumes, particularly BUMP IVF.

Australia EBITDA growth of $10.7m (29.3%) to $47.2m.

International

International revenues increased by $0.6m (10.7%) to $6.2m vs pcp driven by:

- ARS Patient Treatment growth of 19.4% to 1,223;
- Revenues impacted by weakening of MYR foreign exchange against AUD.

International EBITDA growth of $0.1m (4.3%) to $2.4m after investment in fertility specialists and new clinic facility.

Operational and Financial Review continued

Sydney Ultrasound for Women (SUFW) acquisition

In June 2015, the Group acquired Sydney Ultrasound for Women, a network of specialised women's imaging clinics in Sydney, New South Wales. FY16 revenue contribution from SUFW was $17.7m (reflecting 13.6% of Group revenues) and EBITDA contribution was $4.0m. In combination with the existing Monash Ultrasound for Women clinics in Melbourne, specialised women's imaging services now contribute 16.4% of Group overall revenues, providing greater diversification of earnings. A key benefit of the acquisition is synergies that will be derived from operating a broader women's imaging service.

Statement of financial position and Capital Metrics

Balance Sheet ($m)	Jun 16 $m	Jun 15 $m	% change
Cash and cash equivalents	8.5	10.0	(15.0%)
Other current assets	9.3	6.8	36.8%
Current liabilities	(36.1)	(31.7)	(13.9%)
Net working capital	(18.3)	(14.9)	(22.8%)
Borrowings	(95.0)	(106.8)	(11.2%)
Goodwill & Intangibles	254.0	250.9	1.2%
Property Plant & Equipment	15.2	14.5	4.8%
Other assets/liabilities	(1.0)	0.3	(433.3%)
Net assets	**154.9**	**144.0**	**7.6%**
Capital Metrics	Jun 16	Jun 15	+/-
Net Debt ($m)	**86.5**	**96.8**	**(10.3)**
Leverage Ratio (Net Debt/EBITDA)(1)(2)	1.75x	2.14x	0.39x
Interest Cover (EBITDA/Interest)(1)(2)	11.8x	9.9x	1.9x
Net Debt to Equity Ratio(3)	55.9%	67.2%	11.3%
Return on Equity(4)	**19.3%**	**15.9%**	**3.4%**
Return on Assets(5)	**10.1%**	**8.0%**	**2.1%**

(1) FY15 EBITDA reflects the full year impact of the Sydney Ultrasound for Women and Monash IVF Bondi Junction acquisitions adjusted for acquisition costs

(2) EBITDA is a non IFRS measure which is used by the Group as a key indicator of underlying performance

(3) Debt, net of cash balance, divided by equity at 30 June

(4) NPAT for the previous 12 month period divided by average equity in the same period

(5) NPAT for the previous 12 month period divided by average assets in the same period

The Group continues to strengthen its balance sheet with improved net debt to equity ratio of 55.9% as compared to 67.2% in FY15. Net debt reduced by $10.3m to $86.5m after $8.2m capital expenditure, $2.6m acquisition payments and $18.1m dividend payments.

In June 2016, the Group re-financed its Syndicated Debt Facility with a new $110m term debt facility and $5m working capital facility. In addition, a $40m accordion facility is available for strategic growth opportunities. The new Syndicated Debt Facility has a blended 3, 4 and 5 year maturity profile. The Group has improved its covenant ratios at 30 June. The leverage ratio is 1.75x (FY15: 2.14x) and interest cover ratio is 11.8x (FY15: 9.9x).

Statement of cash flows

	Jun 16 $m	Jun 15 $m	Change %
Net operating cash flow	**44.2**	**36.0**	**22.8%**
Cash flow from investing activities	(10.8)	(29.3)	63.1%
Cash flow from financing activities	(34.8)	(5.5)	(532.7%)
Net cash flow movement	(1.5)	1.2	(225.0%)
Closing cash balance	**8.5**	**10.0**	**(15.0%)**
Free cash flow(1)	33.4	6.7	398.5%

(1) Free cash flow is a non-IFRS measure used by the Group as a key indicator of cash generated from operating and investing activities. Calculated as Net cash flow generated from operating activities less Net cash flows used in investing activities

Key cash flow highlights are as follows:

- Strong cash flow generation with a pre-tax conversion of operating cash flow to EBITDA of 99.1% (FY15: 103.3%);
- Free cash flow increased to $33.4m or ~400% strengthening cash available for dividends, debt repayments and growth opportunities;
- Financing activities include debt reductions of $11.8m and $18.1m dividends paid in FY16; and
- Investing activities include capital expenditure of $8.2m on patient management system, non-invasive pre-natal testing technology, new IVF facilities on the Gold Coast and Kuala Lumpur, and equipment replacement.

Dividends

The Board has declared a fully franked final dividend of 4.5 cents per share (FY15: 3.7cps) representing a 21.6% increase on pcp. Therefore the total fully franked dividend per share for FY16 is 8.5cps (FY15: 6.95cps) representing a dividend payout ratio of 70%. The record date for determining this entitlement is 7 September 2016 and the payment date is 14 October 2016.

Outlook

Monash IVF Group is well positioned to continue to grow its revenues and earnings in FY17 as a result of:

- Strong underlying demand fundamentals for ARS and women's imaging services;
- Market leading success rates and a highly respected doctor group;
- Effective cost management and leverage from its international and domestic business; and
- Acquisitive growth strategy, both domestically and internationally.

Further commentary will be provided at the 2016 Annual General Meeting.

Operational and Financial Review continued

Business strategies and prospects for future financial years

The Group's strategy remains consistent and focused, to profitably grow our business through leveraging our scientific capabilities and scale across the clinic network both domestically and internationally. The key initiatives to deliver the profitable growth are outlined below:

Science, technology and patient success

The Group is responsible for significant industry advancements and this success and innovation continues to drive a culture of excellence and passion throughout the Group's network of clinicians and scientists. This ethos and capability enables the Group to continue to develop industry leading science and technology, deliver clinically superior services to existing and future patients and increase market penetration. The Group will continue to invest and expand its range of services offered to patients whilst improving its scientific and clinical practices. Additionally, the Group is focussed on investing in its people through development opportunities and training programs.

To enhance medical and commercial engagement across the growing network, two new peak doctor committees were formed during FY16. The Group Medical Advisory Committee (GMAC) was established to identify and promulgate best in breed clinical processes and the Group Medical Executive Committee (GMEC) was established to engage doctors in commercial decision making across the Group. These initiatives are expected to derive greater collaboration across the vast network and large group of specialists to ultimately aid scientific progress and sharing.

During 2016, the Monash IVF Group Research and Education Foundation (MREF) combined its activities with the research team at Repromed and the University of Adelaide, to strengthen the research potential and capability across the Group. The alignment of the Group's world leading research teams reinforces and solidifies Monash IVF Group as a leader in scientific and clinical innovation driven by a philosophy of excellence in science.

Clinic expansion and acquisitions

The Group continues to identify and assess opportunities for clinic expansion both domestically and internationally. These opportunities are geared to increase the Group's scale and market position in women's health, including ARS and imaging services.

The Group is experiencing strong growth in Malaysia and subject to meeting our investment criteria, we are looking to build our international business, particularly in the Asian region, in the forthcoming years. The Group remains open to expansion through complementary and adjacent opportunities in the broader women's health sector.

Lower intervention

The Group strategically positions the ARS lower intervention offering as a complementary service to its larger full service business. Both MyIVF in Brisbane and BUMP IVF in Sydney are ramping up and are now making an improved contribution to Group earnings. The Group is focussed on refining its lower intervention model and may consider expansion into suitable locations. Lower intervention currently reflects 5.6% of total ARS Patient Treatments across the Group and strategically, the Group expects lower intervention Patient Treatments to represent less than 10% of total Patient Treatments.

Business risks

The Monash IVF Group continually considers the benefits of implementing a risk management framework, all of which contributes to the increased likelihood that the Group will be able to achieve its organisational objectives. Accordingly, the Group has developed a risk management framework and has implemented systematic processes to:

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

The risk management framework together with the risk assessments and mitigation strategies are regularly reviewed both individually and collectively by the Senior Management Committee, the Audit and Risk Management Committee and the Board. A simple prioritisation system has been adopted to scale the relative importance of all the identified risks.

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

Change in Government funding arrangements for Assisted Reproductive Services

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

Risk of increased competition

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

- Existing competitors may undertake aggressive marketing campaigns, product innovation or price discounting;
- New competitors may launch fertility treatments, including ARS; and
- Low cost offerings provided by competitors, reducing the Group's market share.

The Group closely monitors competitor activity and is in a position to respond to any adverse actions by existing or new competitors. The Group is focussed on enhancing its premium offering which includes:

- Quality of science and breadth of service offerings;
- Reputation and availability of doctors;
- Best-of-breed scientists and embryologists;
- Location and accessibility of fertility clinics;
- Strong sales and marketing capability; and
- Strength of brand.

Matters subsequent to the end of the financial year

On 26 August 2016, a fully franked final dividend of 4.5 cents per share was declared. The record date for the dividend is 7 September 2016 and the payment date for the dividend is 14 October 2016.

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.

Information on Directors

Director	Experience
Mr Richard Davis Independent Chairman Member of Audit & Risk Management Committee Member of Remuneration & Nomination Committee	Mr. Richard Davis joined the Group in June 2014 and is currently serving as a non-executive director of ASX listed companies, InvoCare Limited and Australian Vintage Limited (and Chairman of Australian Vintage Limited). Richard worked for InvoCare Limited for 20 years until 2008. For the majority of that time he held the position of CEO and managed the growth of that business through a number of ownership changes and over 20 acquisitions, including offshore in Singapore. Prior to InvoCare Limited, Richard worked in venture capital and as an accounting partner of Bird Cameron. Richard holds a Bachelor of Economics from the University of Sydney.
Mr Josef Czyzewski Independent Non-executive Director Chair of Audit & Risk Management Committee Member of Remuneration & Nomination Committee	Mr. Josef Czyzewski joined the Group in June 2014 and has over 30 years of experience in senior finance positions and significant experience in the health industry. Josef has held the positions of CFO at Healthscope Limited, and more recently CFO/General Manager Strategy and Development at Spotless Group Limited following its takeover by private equity interests in 2012. Josef has held various senior finance positions with BHP Billiton Limited 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 ASX listed company, Greencross Limited and Oneview Healthcare. Christy has over 20 years of management consulting experience in both Australia and the United States and has worked extensively with major corporations on corporate strategy. Prior to joining Port Jackson Partners, Christy spent 14 years with McKinsey and Company, where she was a partner. She holds a Bachelor of Economics from the University of Sydney, a Masters of Management from the Kellogg Graduate School of Business (Northwestern University) and is a Graduate Member of the Australian Institute of Company Directors.
Mr Neil Broekhuizen Non-executive Director	Mr. Neil Broekhuizen is the Joint Chief Executive Officer of Ironbridge. Neil has 23 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.

Director	Experience
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, 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 practiced in the field of reproductive medicine in both the United Kingdom and Australia for the past 22 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 Michael Knaap was appointed to the role of Group Chief Financial Officer (CFO) and Company Secretary on 31 August 2015. Michael has more than 15 years' experience in senior finance executive roles in the FMCG sector in both listed and unlisted organisations. Michael's role prior to joining Monash IVF Group was with Patties Foods Limited where he held a number of executive positions in 6 years, including the role of CFO and Company Secretary. Michael holds a Bachelor of Accounting from Monash University and is a Certified Practising Accountant.

Mr. Rodney Fox resigned as CFO and Company Secretary and ceased employment on 4 September 2015.

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:

	Attended	Held
Mr Richard Davis (Chair)	11	11
Mr Josef Czyzewski	11	11
Ms Christy Boyce	11	11
Mr Neil Broekhuizen	10	11
Dr Richard Henshaw	10	11
Mr Benjamin ('James') Thiedeman	11	11

Remuneration Report – Audited

The Company's Directors present the 2016 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 2016 ("FY16"). The information provided in this Remuneration Report has been audited by KPMG as required by Section 308(3C) of the *Corporations Act 2001*. The Remuneration Report forms part of the Directors' Report.

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

Introduction

The Board varies rewards to Management in accordance with short and longer term financial and clinical performance. Because fixed remuneration sits at or below industry benchmarks, a higher proportion of remuneration is at risk relative to industry peers. The reward framework encourages a strategy of driving existing Monash clinic performance improvement as well as judicious merger and acquisition to expand Monash's footprint domestically and internationally.

As indicated last year, a revised rolling annual Long Term Incentive (LTI) grant was introduced in 2016. CEO share right grants for the 2016 LTI remain subject to shareholder approval.

The executive LTI grant has two tranches with each subject to an independent measure of performance. Half the grant will be subject to EPS compound annual growth over 3 years. The other half of the grant is subject to total shareholder return relative to the ASX 300 Healthcare Accumulation Index. Vesting for both performance requirements is graduated, with 20% vesting on reaching threshold performance, 100% vesting on reaching maximum performance, and pro rata vesting in between.

In FY16, our second year as a publicly listed company, we have grown our market presence and share whilst integrating and capturing the financial benefits of acquisitions executed in FY15, which contributed to a net profit after tax growth in FY16 of 34.6% versus the prior year.

Given the financial performance and achievement of qualitative measures, realised remuneration in FY16 includes base pay and an STI payment. The quantitative tranche of the STI grant was dependent on the achievement of target EBITDA. Given this target was met and there were substantial achievements in non-financial areas, the Board awarded full or partial STI payments to management. No LTI vested, as a performance test on the first grant is not due until FY2017.

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 (Committee). Under the Remuneration and Nomination Committee charter, it must have at least three members, the majority of whom (including the Chair) must be independent Directors and all of whom must be non-executive Directors. The Committee is composed of 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 FY16, 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).

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 FY16. 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 disclosure of the Company's remuneration policies and requirements
- 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 June 2016. 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 capability and experience
- Focus management on both financial and non-financial drivers of economic value
- Align management incentives with long term value creation for shareholders
- Vary remuneration realised with performance and shareholder returns
- Allow clear and transparent disclosure of remuneration arrangements of relevant employees to the market
- Control for market and operational risk appropriate for the required shareholder returns
- Provide fair and consistent remuneration across the Group consistent with corporate values and principles.

The Group's performance metrics on which pay can be varied support:

- Continued profitable development and expansion of the business
- 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.

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.

The Group's remuneration framework for FY16 for the CEO and CFO has three components, two of which vary with performance. TFR levels sit at or below industry benchmarks. A higher proportion of remuneration is at risk relative to peers. The remuneration structure is designed so that there is a remuneration opportunity that varies with the level of position accountability.

The diagram below summarises the framework for FY16. The framework will be reviewed each year.

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 againstASX300 Healthcare Index.

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

Total fixed annual remuneration

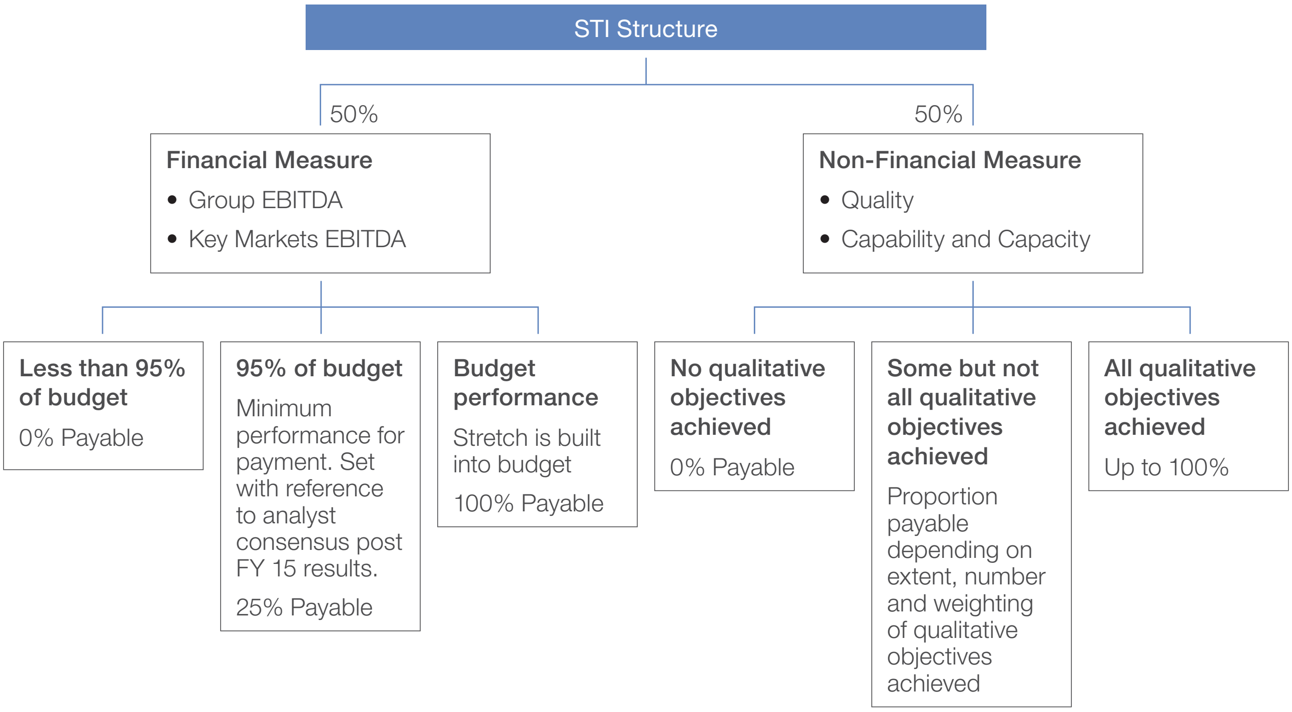
Total fixed remuneration (TFR) consists of base remuneration (which is calculated on a total cost basis) as well as non-monetary benefits and superannuation.

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

KMP TFR sits at or below median for companies of similar size.

Short-term incentives

Short term incentive plan overview:



Executive KMP are eligible to receive an STI payment.

The Group's STI is an incentive to focus on board prioritised requirements for the financial year. It focuses on a financial measure for up to 50% of the maximum payable, and key non-financial measures for the other 50%.

The financial measure is Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA is normalised and compared to budget EBITDA to assess achievement. EBITDA may be normalised by adjustment for any amounts in respect of the period for individually significant, non-recurring, abnormal or unusual gains or losses of the Group, whether realised or unrealised. The amount allocated for EBITDA achievement is 50% of the maximum STI. Threshold performance is 95% of budget which is broadly in line with analyst consensus post the FY2015 result announcement. At this level, 25% of the amount allocated for EBITDA achievement is payable. Maximum EBITDA performance is set at 100% or more of a stretch budget, at which the entire amount allocated for EBITDA is payable. Achievement between these two levels of performance results in a pro-rata payment of STI.

Non-financial measures focus management on market share, business efficiency, clinical outcomes, doctor relationships, risk management (including occupational health and safety) and team development. KMP executives had 9 non-financial objectives. Each has a weighting which sum to 50% of the maximum STI. Achievement of a non-financial objective is binary, that is, it is either achieved or not achieved. The amount of STI paid for the non-financial objectives is the sum of weightings for the objectives achieved.

The Board retains the right to exercise negative discretion on Non-Financial KPI achievement if Financial KPIs are not achieved. This was exercised in FY15. STI is paid in cash after annual results have been audited.

Remuneration Report – Audited continued

2.0 Remuneration Policy continued

2.1 Executive remuneration policy continued

Long-term incentive plan

Executive KMP are eligible to receive an LTI grant. Fertility Specialists are eligible to participate in the Fertility Specialist LTI.

Mr James Thiedeman (CEO) and the CFO are eligible to participate in the Senior Executive LTI Plan. Professor Michelle Lane, (COO) became eligible in FY16, however as a result of her ceasing as a KMP on 16 November 2015, post re-organisation of management structure resulting in Professor Lane's appointment as Regional Manager – NSW, SA & NT, she is no longer eligible to participate in the Senior Executive Plan. Dr. Richard Henshaw, an Executive Director, will not be eligible to participate in the Fertility Specialist LTI given he does not meet the eligibility criteria of being a fee for service fertility specialist.

Grants under both Plans are subject to the following conditions:

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

Senior Executive LTI

Overview of current Senior Executive LTI:

Performance Rights 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 the ASX300 Healthcare Accumulation Index (Index) performance. 20% will vest at threshold performance when TSR equals Index returns, 100% vest at maximum performance if TSR equals Index returns +5% on an annualised basis, with pro rate vesting between threshold and maximum.

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

Vesting Framework

The EPS component of the allocation will be measured at the end of the 3 year performance period. 20% will vest at threshold performance, 100% vest at maximum performance, with pro rata vesting between threshold and maximum.

EPS threshold performance is 10% per annum over the 3 year period

Senior Executive LTI Grant – FY16

The LTI plan is a performance rights plan with vesting rights dependent upon the satisfaction of pre-defined performance hurdles and continuous employment. As indicated in the last remuneration report, LTI grants will be issued on a rolling annual basis. This ensures executives maintain a continuous focus on sustainable long term growth and returns, and provides an appropriate balance to the focus on annual results demanded by the STI.

The performance period for these rights is 3 years from 1 July 2015 to 30 June 2018. The executives did not pay any money to be granted those performance rights. The expiry date of the rights will be on the fifth anniversary of their grant. The performance rights will be delivered as share rights with disposal restrictions.

The CEO and CFO were granted 163,425 and 70,144 performance rights respectively. However, the CEO grant remains subject to, and is conditional upon, shareholder approval at the 2016 Annual General Meeting.

Current performance hurdles are based on achievement of pre-defined EPS Hurdles and a TSR Hurdle over a three year performance period. The performance hurdles for each tranche of performance rights 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. No value will be received if the performance hurdles are not met and the rights do not vest.

The Senior Executive performance rights granted include terms which provide that, on vesting, each performance right is exercisable into one share (subject to adjustments in accordance with the ASX Listing Rules for certain capital actions). These performance rights were granted in two tranches, with each tranche subject to separate vesting conditions based upon external measures as follows:

Earnings Per Share. The hurdle for 50% of the rights is based on an earnings per share hurdle which measures the compound growth of the Company's basic earnings per share ('EPS') over a three year period from 1 July 2015 to 30 June 2018. Basic EPS is subject to audit applying the requirements of Australian Accounting Standard AASB 133. The base EPS is the FY2015 EPS of 9.2c. No vesting occurs up to a threshold level of EPS growth of 10% per annum. Twenty percent will vest at threshold performance, 100% will vest at maximum performance, with pro rata vesting between threshold and maximum.

The target and threshold hurdle are set with reference to the Board's expectations of long term growth and the forward market consensus. In FY16 EPS performance requirements were set to encourage executive KMP's in the undertaking of judicious merger and acquisition to expand Monash's footprint domestically and internationally. Further details of EPS growth requirements and the proportion of the grants that vest (if any) will be disclosed in FY2019.

Remuneration Report – Audited continued

2.0 Remuneration Policy continued

2.1 Executive remuneration policy continued

Senior Executive LTI Grant – FY16 continued

Relative Total Shareholder Return. The hurdle for the other 50% of the rights is based on the Company's total shareholder return ('TSR') relative to the ASX300 Healthcare Accumulation Index (Index) from 1 July 2015 to 30 June 2018. In respect of this tranche, no performance rights will vest if the TSR performance is less than the Index performance. Twenty percent will vest at threshold performance when TSR equals Index returns, 100% vest at maximum performance if TSR equals Index returns +5% on an annualised basis, with pro rata vesting between threshold and maximum. TSR is calculated based on the closing share price, adjusted for dividends and capital movements, as at the start of the performance period and the end of the performance period. In FY16 the Board has redefined the TSR reference peer group to the Index as it is considered a more transparent and readily available measure, whilst including an increased range of companies with similar business characteristics to the Company.

The graduated vesting scale in the senior executive LTI plan was designed to minimise the likelihood of excessive risk taking as a performance threshold is approached.

The Board believes this vesting framework strengthens the performance link over the long-term and accordingly encourages executives to focus on long-term performance. The Board also acknowledges that the value of certain strategic initiatives may take several years to deliver.

Prior year legacy Senior Executive LTI Grant – FY15

Options were granted to the CEO and the former CFO on 30 July 2014. The key terms and conditions attached to that grant of options are set out below:

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 ('EPS') growth over a three year period. No vesting occurs up to a threshold level of EPS growth of 8% per annum and then vests directly proportionally between the threshold and a maximum specified performance requirement. Further details of EPS growth requirements and the proportion of the grants that vest (if any) will be disclosed in FY2018.

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 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 former CFO early in FY16, his options were forfeited.

Doctors LTI programme

The Remuneration and Nomination Committee implemented an LTI plan for Fertility Specialists, including those considered KMP executives, in FY2016. The plan was developed to recognise and reward the ongoing contribution from our clinicians. Dr. Richard Henshaw, an Executive Director, will not be eligible to participate in the Fertility Specialist LTI given he does not meet the eligibility criteria of being a fee for service fertility specialist.

The Doctors LTI has two tranches subject to independent performance requirements:

1. A Practice Development Award; and
2. A Key Doctor Award

Participation is subject to a number of qualitative criteria aligned with the patient experience and clinical excellence. Both tranches also require growth in the number of Fresh Cycles(1) above a threshold requirement.

The Practice Development Award recognises the consistent development of a fertility specialist's practice at above industry growth rates. The Practice Development Award is calculated based on the annual average number of "Growth Cycles" they perform in year 1 and maintain over the subsequent two years. Growth Cycles reflect growth over and above the long term industry average. The payment will be paid in the form of 50% cash and 50% MVF shares. Any share allocated will be subject to escrow conditions applicable to current holdings (see section 4.1 in Financial Report).

The Practice Development Award will vest on the final day of the Growth Maintenance Period being the 30 June 2018, subject to the eligible Doctor remaining contracted to MVF at the end of the vesting period which is when the number of Fresh Cycles have been audited after the close of FY2018.

The Key Doctor Award recognises the significant contribution of key fee-for-service fertility specialists and their commitment to the development of Monash IVF. It is a reward and retention device. It is calculated based on the total number of Fresh Cycles achieved over a base level of 250 fresh cycles. The performance period is 4 years. The volume must be attained after the first year (FY2016), and be maintained for a further 3 years (FY2017 – FY2019).

The Award Payment will be paid in the form of 50% cash and 50% MVF shares. The Board has the discretion to decide to pay the total Award Payment as cash. Any share allocated will be subject to similar escrow conditions as current holdings (see section 4.1 in Financial Report). The Key Doctor Award will vest post the final day of the Growth Maintenance Period being the 30 June 2019, provided the eligible Doctor remains contracted to MVF at the end of the vesting period.

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 2016 financial year, the fees payable to the current NEDs are $420,000 in aggregate.

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

(1) Medicare Benefit Schedule item #13200 and #13201. In addition, social egg freezing is included.

The Board has determined that Directors fees will increase by 5% in FY17 for the main board and Audit and Risk Committee. There were no Director fees increase in FY16. Remuneration and Nomination Committee fees will be brought into line with the Audit and Risk Committee fees reflecting similar workloads.

Remuneration Report – Audited continued

3.0 Executive and Non-Executive remuneration

3.1 Remuneration Summary

The Executive Remuneration outcomes for FY16 for the CEO and KMP Executives reflect the performance outcomes achieved over the year.

Executive	Component	Commentary
CEO	Fixed Remuneration	$407,732 per annum (effective 1 July 2015). This sits below market median for companies 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 FY16 STI criteria were subject to both financial (50%) and non-financial (50%) outcomes. EBITDA achieved was $49.6m, which was above the stretch target. Non financial measures include strategy review and development (including acquisition and science); risk management; investor relations; employee engagement and development; and Fertility Specialist engagement recruitment and retention. Given EBITDA target was 100% met, along with 74% of the non financial targets, STI was payable at 87%, equal to $266,041.
	Long term incentives – Performance Rights	163,425 Performance Rights were granted to the CEO subject to shareholder approval at the 2016 AGM. These rights vest at the end of the performance period, subject to meeting certain EPS and TSR outcomes. No rights were eligible to vest during 2016.
	Notice period	6 months
	Term of agreement	No fixed term
CFO	Fixed Remuneration	Fixed remuneration of $350,000 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 30% of his fixed remuneration package based on meeting certain defined criteria. The FY16 STI criteria were subject to both financial (50%) and non-financial (50%) outcomes. EBITDA achieved was $49.6m, which was above the stretch target. Non financial measures include financial reporting, risk and debt management, and business integration. Given EBITDA target was 100% met, along with 100% of the non financial targets, STI was payable at 100%, equal to $105,000.
	Long term incentives – Performance Rights	70,144 Performance Rights were granted to the CFO during FY2016. These rights vest at the end of the 3 year performance period, subject to meeting certain EPS and TSR outcomes. No rights were eligible to vest during 2016.
	Notice period	3 months
	Term of agreement	No fixed term
Executive Director	Fixed Remuneration	Fixed remuneration of $348,324 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

The following table shows the proportional weighting of each element of remuneration for each of the senior executives based on achieving target performance:

	Fixed Remuneration (%)	Short Term Incentive (%)	Long Term Incentive (%)
James Thiedeman	44.5%	33.3%	22.2%
Michael Knaap	64.5%	19.4%	16.1%
Richard Henshaw	100.0%	Nil	Nil

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 Czyzweski	Non-executive Director	Full Financial Year
Mr. Neil Broekhuizen	Non-executive Director	Full Financial Year
Executive Directors		
Mr. Benjamin Thiedeman	Chief Executive Officer	Full Financial Year
Dr. Richard Henshaw	Executive Director	Full Financial Year
Other KMP		
Mr. Michael Knaap	Chief Financial Officer & Company Secretary	31 August 2015 to 30 June 2016
Mr. Rodney Fox	Chief Financial Officer & Company Secretary	1 July to 31 August 2015
Professor Michelle Lane	Chief Operating Officer	1 July to 16 November 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.

2016

	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 $	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	389,554	266,041	–	655,595	20,568	–	–	66,770	742,933
Dr Richard Henshaw	362,867	–	–	362,867	19,316	–	–	–	382,183
Total executive Directors	**752,421**	**266,041**	**–**	**1,018,462**	**39,884**	**–**	**–**	**66,770**	**1,125,116**
Other key management personnel									
Mr Michael Knaap (2)	267,098	125,000	–	392,098	15,595	–	–	260	407,953
Mr Rodney Fox (3)	60,561	–	–	60,561	4,827				65,388
Dr Michelle Lane (4)	139,205	–	–	139,205	9,654	–	–	–	148,859
Total other key management personnel	**466,864**	**125,000**	**–**	**591,864**	**30,076**	**–**	**–**	**260**	**622,200**
Total	**1,609,787**	**391,041**	**–**	**2,000,828**	**99,458**	**–**	**–**	**67,030**	**2,167,316**

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

(2) Mr. Michael Knaap became a KMP on 31 August 2015 following appointment as Chief Financial Officer. Included in Mr. Michael Knaap's STI is a $20,000 payment for satisfying the six-month probationary period.

(3) Mr. Rodney Fox ceased as a KMP on 31 August 2015.

(4) Professor Michelle Lane ceased as a KMP on 16 November 2015 after re-organisation of management structure resulting in Professor Lane's appointment as Regional Manager – NSW, SA & NT.

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

2015

	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	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 were paid 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 Director.

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	Performance Hurdles	Grant Date	Performance Period End Date	Balance of Unvested Equity 1 Jul 15	Balance of Unvested Equity 1 Jul 16	Granted in FY 16		Vested in FY16		Lapsed or Forfeited		Balance of Unvested Equity 30 Jun 2016	Share Based Payment Expense FY16	Fair Value per Security
					Number	$	Number	$	Number	$	Number	$	Number	$	$
Mr. Benjamin Thiedeman	Options	EPS	30-Jul-14 [1]	30-Jul-17	400,000	84,000	–	–	–	–	–	–	400,000	40,834	0.21
	Options	TSR	30-Jul-14 [1]	30-Jul-17	400,000	76,000	–	–	–	–	–	–	400,000	25,333	0.19
	Rights	EPS	29-Jun-16	28-Aug-18	–	–	81,713	134,826	–	–	–	–	81,713	334	1.65
	Rights	TSR	29-Jun-16	12-Sep-16	–	–	81,713	107,044	–	–	–	–	81,713	271	1.31
Total					**800,000**	**160,000**	**163,426**	**241,870**	**–**	**–**	**–**	**–**	**963,426**	**66,772**	
Mr. Michael Knaap	Rights	EPS	29-Jun-16	28-Aug-18	–	–	35,072	57,869	–	–	–	–	35,072	143	1.65
	Rights	TSR	29-Jun-16	12-Sep-16	–	–	35,072	45,944	–	–	–	–	35,072	117	1.31
Total					**–**	**–**	**70,144**	**103,813**	**–**	**–**	**–**	**–**	**70,144**	**260**	

(1) The exercise price for the unvested options granted on 30 July 2014 were $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 (2016)			Cash Bonus (2015)		
	Payable	% of available bonus		Paid	% of available bonus	
	$	Payable%	Not Payable%	$	Paid%	Not Paid%
Executive directors						
Mr Benjamin Thiedeman	266,041	87%	13%	–	–	100%
Dr Richard Henshaw	N/A	N/A	N/A	N/A	N/A	N/A
Other key management personnel						
Mr. Michael Knaap	125,000	100%	0%	–	–	100%

3.3 Loans to Key Management Personnel

No new loans were issued to KMP during 2016.

3.4 Other transactions with Key Management Personnel

Dr. Richard Henshaw was the only doctor during FY2016 who served as a Director. He was paid a salary by the Group.

3.5 Key Management Personnel ownership of shares

The following details Monash IVF Group ordinary shares held by Directors and KMP during 2016:

Name	Balance at start of year	Granted as remuneration	Net change	Balance at end of year
Non-executive directors				
Mr Richard Davis	27,026	–	–	27,026
Mr Josef Czyzewski	62,027	–	60,000	122,027
Ms Christina Boyce	26,215	–	–	26,215
Mr Neil Broekhuizen	100,000	–	–	100,000
Executive directors				
Mr Benjamin Thiedeman	1,102,758	–	–	1,102,758
Dr Richard Henshaw	2,014,960	–	–	2,014,960
Other key management personnel				
Mr Michael Knaap(1)	N/A	–	46,670	46,670
Mr Rodney Fox(2)	138,431	–	N/A	–
Prof Michelle Lane(2)	813,909	–	N/A	–
Total	**4,285,326**	**–**		**3,439,656**

(1) Net change reflects 22,370 ordinary shares held prior to becoming a KMP

(2) Net change is n/a as Mr Rodney Fox and Professor Lane ceased as KMP during the year

During FY17 the Board established Non-Executive Director (NED) share ownership guidelines whereby the Company encourages its Directors to build and maintain a shareholding in the Company to the value of at least one year of their total fixed remuneration. For existing NED's the requirement to be compliant with the guideline is 3 years from the 2016 annual general meeting, where as for new NED's the requirement is 3 years from commencement on the Board.

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 2016 are summarised below:

Measure	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Revenue	156,561	124,955	114,012	96,598	93,243
EBITDA(1)	49,584	38,805	36,782	36,746	21,309
Net Profit After Tax(1)(2)	28,775	21,373	4,852	N/A	N/A
STI payable(4)	84.6%	0.0%	N/A	N/A	N/A
Total Shareholder Return(2)	48%	-27%	N/A	N/A	N/A
Closing share price ($)	1.82	1.28	1.77	N/A	N/A
Dividend per share (cents)	8.50	6.95	N/A	N/A	N/A
Earnings per Share (cents)(2)(3)	12.2	9.2	2.0	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.

(4) STI payable is total KMP and Management bonuses approved for FY16 as compared to maximum incentive entitlement.

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. CEO and CFO remuneration varies with the outcomes of these measures above a required threshold performance level.

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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that legislative instrument, 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 Section 6.5 of the Financial Report.

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

Mr Richard Davis
Chairman

Dated at Melbourne this 26th day of August 2016.

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 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
26 August 2016

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

Liability limited by a scheme approved under Professional Standards Legislation.

Corporate Governance Statement

This statement, approved by the Board, reports on the Group's key governance framework, principles and practices as at 30 June 2016. 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 pre-eminent status as a leader in the fields of Assisted Reproductive Services (ARS) and specialist women's imaging. This commitment will lead to sustainable growth and shareholder returns. The Board is a strong advocate of good corporate governance and 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 the Group's undertakings. This includes setting and approving the strategic direction of the Group and to guide and monitor Monash IVF Group management and its businesses in achieving their strategic objectives. The Board is committed to maximising performance through continued investment in all aspects of the business including research, education and innovation in clinical services to improve patient outcomes.

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

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

The Company's Chief Executive Officer and Managing Director, 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 of a director for the first time a comprehensive check of the candidates personal and professional history would occur including details of any other material directorships or non executive roles. 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 Michael Knaap holds the role of Company Secretary with Monash IVF Group Ltd. Michael's role is to work closely with the Board and its committees to advise on governance matters and to oversee meeting protocols are adhered to including comprehensive minutes. Mr Michael Knaap took on the role of Company Secretary following Rodney Fox's resignation in September 2015 and his appointment was approved by the Board.

Principle 1 Lay solid foundations for management and oversight continued

1.5 Diversity Policy

Monash IVF Group Ltd is a dynamic organisation that recognises its employees are its 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 and sexual orientation.

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. The breakdown of gender is listed in organisational list below:

Organisational Level	Number of Women	% of Women
CEO and Directors	1	17%
Senior Management	6	40%
Team Leader	12	80%
Total Staff (inc above)	**601**	**92%**

The Board recognises the high proportion of women in the workplace and feels 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 FY16, 34 staff utilised the Group's generous parental leave options. 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 is committed to targeting a board composition aligned to its workforce and patient base overtime.

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, 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 annual review completed by Monash IVF Group Ltd Board was undertaken in May 2015 and repeated in May 2016. 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 was undertaken at the end of FY16 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.

1.7 Senior Executive Evaluations

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

The Chairman of the Board performs the CEO performance review against annual key performance indicators. James Thiedeman's performance was formally reviewed in June 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 FY16 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 Director's 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 are in-place; the Remuneration and Nomination Committee and the Audit and Risk Committee whereby meetings occurred during FY16. The Board Charter prescribes that all committee members be Independent Directors.

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

Director	Position	Independent	Appointment Date
Mr Richard Davis	Independent Chairman	Yes	4/6/2014
Mr Josef Czyzewski	Independent non-executive Director	Yes	4/6/2014
Ms Christina Boyce	Independent non-executive Director	Yes	4/6/2014
Mr Neil Broekhuizen	Non-executive Director	No – deemed a principal of a material professional advisor through Ironbridge as a previous owner and advisor to the Monash IVF Group in the last 3 years.	4/6/2014
Mr James Thiedeman	CEO and Managing Director	No – CEO and Managing Director	30/4/2014
Dr Richard Henshaw	Executive Director	No – Fertility Specialist with Monash IVF Group Ltd	30/4/2014

2.1 Remuneration and Nomination Committee

The Remuneration and Nomination Committee is governed by the Remuneration and Nomination Committee Charter as found on the Monash IVF Group Ltd website at http://ir.monashivfgroup.com.au/Investor-Centre/?page=Corporate-Governance

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

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

Principle 2 Structure of the Board to add value continued

2.1 Remuneration and Nomination Committee continued

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:

	Strategic direction setting	New business development	Mergers and acquisitions	International business development	Health services	Clinical/ medical experience	Accounting/ Finance	Regulatory/ government relations
Mr Richard Davis	100%	75%	100%	75%	25%	0%	100%	50%
Mr Joe Czyzewski	50%	25%	100%	50%	75%	0%	100%	50%
Ms Christy Boyce	100%	50%	25%	50%	25%	0%	50%	50%
Mr Neil Broekhuizen	75%	100%	100%	75%	50%	0%	100%	50%
Mr James Thiedeman	50%	50%	50%	25%	75%	0%	75%	75%
Dr Richard Henshaw	100%	75%	75%	25%	100%	100%	0%	100%

100% 75% 50% 25% 0%

Monash IVF Group Ltd believes 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 remains committed to increasing the proportion of independent directors over time. Mr Richard Davis was appointed Monash IVF Group Ltd Chairman in June 2014. He is a non-executive Independent Director. Mr Davis in his role as Chair provides leadership to the Board and advice and support to the CEO. The Chair of the Board is responsible for overseeing Board dynamics and ensuring all directors contribute effectively and constructively to Group meetings and strategic agendas.

2.6 Director Induction and Professional Development

Monash IVF Group Ltd has a comprehensive induction process for Directors and senior executives. This induction includes meetings with senior management and staff to gain an understanding of the core business as well as visits to laboratories and clinics to gain a more in depth understanding of the business. There have not been any new appointments to the Board during the year.

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 Whistleblowers Policy.

Principle 4 Safeguard integrity in corporate reporting

4.1 Audit Committee

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

Monash IVF Group Ltd engages the services of an external auditor; who's independence and performance is monitored and reviewed by the Audit and Risk Management Committee. The external auditors and Audit & Risk Committee and audit Chair met on a number of occasions independently of Management during 2016.

The current Audit and Risk Management 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 Christina 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 Michael Knaap, reviewed and verified that the FY16 half year and full year reporting statements as listed in reports to the ASX and shareholders are true and accurate. A declaration to that effect has been signed by both to declare that the financial records have been entered and maintained as per the *Corporations Act (2001)* accounting standards and they give a fair and true view of the financial position and performance of Monash IVF Group Ltd. Further a detailed questionnaire is completed by senior operational, administrative and financial management attesting to the validity and integrity of the processes that they control prior to the approval of the Financial Statements. These questionnaires are reviewed by the Audit and Risk Management Committee.

4.3 Auditor in attendance at Annual General Meeting

Monash IVF Group Ltd has retained the services of KPMG as an external auditor for the annual financial audit of the Group. KPMG will be in attendance at the Annual General Meeting (AGM) on 24 November 2016 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 26 November 2015. 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 *Corporations 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 its governance processes and are notified of any major developments affecting the Group. In line with the Monash IVF Group Ltd Communications Policy the Company's website is considered to be the primary means to provide information to all stakeholders. It has been designed to enable information to be accessed in a clear and readily accessible manner including:

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

The company website can be found at www.monashivfgroup.com.au where information can be clearly located under heading:

- Home – homepage with Company history and overview
- About – information on Our People, Collaborations and Career Opportunities
- Our Business – lists the Monash IVF Group Ltd subsidiary companies
- Research and Innovation – lists current and published research and our scientific firsts.

6.2 Investor Relations

In addition to the Company website, there is a dedicated Investor Relations page found at http://ir.monashivfgroup.com.au/Investor-Centre/ which provides investors and shareholders with information on Monash IVF Group Ltd Board members, Announcements, Corporate Governance documents, Results presentations and webcasts. The Investor Centre also acts as a portal for two way communication between the Company and investors with links to a 'Contact Us' page which allows individuals to email enquiries and also provides postal address and contact number to allow access to the Company. The Communications 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 24 November 2016.

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

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

6.4 Electronic Communication

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

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

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

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

Principle 7 Recognise and manage risk

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

7.1 Audit and Risk Management 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 detailed earlier in this report.

7.2 Risk Management

The Group Audit and Risk Management Committee employs 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 has engaged with an external advisor to review the current risk management framework and tools and use of the same 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 Management 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 were 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 http://ir.monashivfgroup.com.au/Investor-Centre/?page=Corporate-Governance

The Group Audit and Risk Management Committee has 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 Ltd did not have a designated Internal Audit Function during FY16 however our external auditors review and report on internal controls. The Group appointed PriceWaterhouseCoopers as its internal audit provider in August 2016 who will be performing financial and non-financial internal audits in the financial, operational, information systems and compliance areas within the Group. PriceWaterhouseCoopers has been engaged for a 3 year term.

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.

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.

From an ethical perspective, Monash IVF Group Ltd and its companies ensure national regulation and state legislation drive 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, 5 service centres, 2 specialised diagnostic laboratories, 2 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.

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 the Group through education and research sponsorship and professional development funding.

Principle 7 Recognise and manage risk continued

7.4 Risk Exposure continued

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.

Economic risk continues to be potentially material to Monash IVF Group Ltd. Our services in Australia are indirectly funded to a significant extent by the Australian Federal Government through Medicare Benefit Schedule and Extended Medicare Safety Net. Any change to the funding arrangements could lead to reduced demand for our services affecting financial performance and sustainability of the Group. Market contraction and changes to market dynamics can significantly affect business outcomes and are 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.

The 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 an ASX 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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000 Restated
Revenue		**156,561**	**124,955**
Employee benefits expense		(45,694)	(33,891)
Clinicians fees		(25,130)	(19,142)
Raw materials and consumables used		(14,402)	(13,014)
IT and communications expense		(2,617)	(2,514)
Depreciation expense	2.2	(3,713)	(3,067)
Amortisation expense	2.3	(501)	(350)
Property expense		(7,910)	(6,314)
Marketing and advertising expense		(4,534)	(4,215)
Professional and other fees		(2,975)	(2,032)
Other expenses		(3,715)	(2,521)
Start up & acquisition costs		–	(2,468)
Operating Profit		**45,370**	**35,427**
Finance income		26	50
Finance expenses		(4,799)	(4,776)
Net finance costs	4.4	**(4,773)**	**(4,726)**
Profit before tax		**40,597**	**30,701**
Income tax expense	1.4	(11,822)	(9,328)
Profit for the year		**28,775**	**21,373**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		165	(673)
Tax on cash flow hedges		(49)	202
Exchange difference on translation of foreign operations		(32)	(4)
Other comprehensive income for the year, net of tax		**84**	**(475)**
Total comprehensive income for the year		**28,859**	**20,898**
Profit attributable to:			
Owners of the company		28,775	21,373
Non-controlling interests		–	–
Profit for the year		**28,775**	**21,373**
Total comprehensive income attributable to:			
Owners of the company		28,859	20,898
Non-controlling interests		–	–
Total comprehensive income for the year		**28,859**	**20,898**
Earnings per share			
Basic earnings per share (cents)	1.3	12.2	9.2
Diluted earnings per share (cents)	1.3	12.2	9.2

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 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Current assets			
Cash and cash equivalents	4.5	8,472	9,989
Trade and other receivables	2.1	4,454	3,110
Other assets		4,883	3,703
Total current assets		**17,809**	**16,802**
Non-current assets			
Equity accounted investment		100	100(1)
Trade and other receivables	2.1	413	423
Plant and equipment	2.2	15,244	14,466
Intangible assets	2.3	253,952	250,861(1)
Deferred tax assets	1.4	–	401
Total non-current assets		**269,709**	**266,251**
Total assets		**287,518**	**283,053**
Current liabilities			
Trade and other payables	2.4	19,174	20,595(1)
Borrowings	4.3	453	729
Current tax liability		9,685	3,920(1)
Employee benefits	3.1	6,831	6,468
Total current liabilities		**36,143**	**31,712**
Non-current liabilities			
Trade and other payables	2.4	283	–
Borrowings	4.3	94,548	106,260
Employee benefits	3.1	952	1,056
Deferred tax liability	1.4	717	–
Total non-current liabilities		**96,500**	**107,316**
Total liabilities		**132,643**	**139,028**
Net assets		**154,875**	**144,025**
Equity			
Contributed equity	4.1	428,347	428,347
Reserves		(137,093)	(137,293)
Profits reserve		24,513	13,863
Retained earnings		(160,892)	(160,892)
Total equity attributable to ordinary shareholders of Monash IVF Group limited		**154,875**	**144,025**
Total equity		**154,875**	**144,025**

(1) Comparative information has been adjusted for changes in the acquisition accounting for Sydney Ultrasound for Women during the provisional period. Refer Section 5.1 for further information.

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 2016

	Contributed equity $'000	Other equity reserve[1] $'000	Profits reserve[2] $'000	Retained earnings $'000	Other reserves[3] $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
Consolidated Balance at 30 June 2014	422,566	(136,811)	–	(160,892)	(43)	124,820	–	124,820
Profit for the year	–	–	21,373	–		21,373	–	21,373
Total other comprehensive income	–	–	–	–	(475)	(475)	–	(475)
Total comprehensive income for the year	**–**	**–**	**21,373**	**–**	**(475)**	**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)**	**13,863**	**(160,892)**	**(482)**	**144,025**	**–**	**144,025**
Profit for the year	–	–	28,775	–	–	28,775	–	28,775
Total other comprehensive income	–	–	–	–	84	84	–	84
Total comprehensive income/(loss) for the year	**–**	**–**	**28,775**	**–**	**84**	**28,859**	**–**	**28,859**
Transactions with owners in their capacity as owners directly in equity								
Share-based payment transactions	–	–	–	–	116	116	–	116
Dividends paid	–	–	(18,125)	–	–	(18,125)	–	(18,125)
Consolidated Balance at 30 June 2016	**428,347**	**(136,811)**	**24,513**	**(160,892)**	**(282)**	**154,875**	**–**	**154,875**

(1) The Other equity reserve represents the difference between the Issued Capital in Healthbridge Enterprises Pty Ltd and the consideration paid to acquire Healthbridge Enterprises Pty Ltd on 26 June 2014.

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

(3) Other reserves includes share-based payments, foreign currency translation and hedging reserve.

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

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash flows from operating activities			
Receipts from customers		156,855	125,509
Payments to suppliers and employees		(107,707)	(85,365)
Cash generated from operations		**49,148**	**40,144**
Income taxes paid		(4,986)	(4,136)
Net cash flows generated from operating activities	4.5	**44,162**	**36,008**
Cash flows from investing activities			
Payments for property, plant and equipment		(8,203)	(5,527)
Payments for subsidiaries		(2,619)	(23,768)
Net cash flows used in investing activities		**(10,822)**	**(29,295)**
Cash flows from financing activities			
Net proceeds from issue of share capital		–	(3,320)
Receipt of borrowings		5,000	28,310
Receipt of loans receivable		10	57
Repayments of borrowings		(16,810)	(17,500)
Interest paid		(4,507)	(5,543)
Debt facility refinance cost		(393)	–
Dividends paid		(18,125)	(7,510)
Net cash flows used in financing activities		**(34,825)**	**(5,506)**
Total cash flows from activities		**(1,485)**	**1,207**
Cash and cash equivalents at the beginning of the year		9,989	8,786
Effects of exchange rate changes on foreign currency cash flows and cash balances		(32)	(4)
Cash and cash equivalents at end of the year	4.5	**8,472**	**9,989**

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

Notes to the Consolidated Financial Statements

Contents

This is the financial report of Monash IVF Group Ltd (the Company) and its subsidiaries (together referred to as 'the Group') and including the Group's interest in associates.

Over the past year we have reviewed the content and structure of the financial report looking for opportunities to make them less complex and more relevant to users. This includes:

- a thorough review of content to eliminate immaterial disclosures that may undermine the usefulness of the financial report by obscuring important information: and
- reorganisation of the notes in the financial statements into sections to assist users in understanding the Group's performance.

The purpose of these changes is to provide users with a clearer understanding of what drives the financial performance and financial position of the Group, and a better alignment with the Group's strategy, whilst still complying with the provisions of the *Corporations Act 2001*.

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

1.4 Recovery of deferred tax assets and income taxes

2.2 Plant and equipment

2.3 Goodwill & other indefinite life assets and goodwill impairment testing assumptions

3.1 Annual leave and long service leave

3.3 Share-based payments

5.1 Business acquisitions

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2016

Reporting entity

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

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

Basis of preparation

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with:

- Australian Accounting Standards (AASB) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB); and
- the *Corporations Act 2001*.

The financial report of the Group also complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the international Accounting Standards Board (IASB).

The financial report was approved by the Board of Directors on the 26 August 2016.

Going concern

As at 30 June 2016 the Group has a net current asset deficiency of $18,334,000 (FY15: $14,910,000).

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

Basis of measurement

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

Functional and presentation currency

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

Rounding of amounts

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

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Monash IVF Group Ltd as at 30 June 2016 and the results of all subsidiaries for the year then ended. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The acquisition method of accounting is used to account for business combinations by the Group.

Section 1 Our Financial Performance

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

1.1 Operating segments

Identification of reportable operating segments

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

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

Segment revenue

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

Segment EBITDA

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

Segment assets and liabilities

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

Information about reportable segments

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

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

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the 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.

1.1 Operating segments continued

Other revenue

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

Segment results

2016	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total reportable segments $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue					
External revenue	150,406	6,155	156,561	–	156,561
Intersegment sales	–	–	–	–	–
Total Revenue	**150,406**	**6,155**	**156,561**	**–**	**156,561**
Segment EBITDA	**47,157**	**2,427**	**49,584**	**–**	**49,584**
Depreciation and amortisation expense	(4,126)	(88)	(4,214)	–	(4,214)
Interest revenue	26	–	26	–	26
Interest expense	(4,406)	–	(4,406)	–	(4,406)
Lending fees and others	(393)	–	(393)	–	(393)
Profit before income tax expense	**38,258**	**2,339**	**40,597**	**–**	**40,597**
Income tax expense	(11,203)	(619)	(11,822)	–	(11,822)
Profit for the year	**27,055**	**1,720**	**28,775**	**–**	**28,775**
Segment assets	**279,503**	**8,016**	**287,518**	**–**	**287,518**
Acquisition of plant and equipment and intangibles	7,361	842	8,203	–	8,203
Segment liabilities	**(132,184)**	**(459)**	**(132,643)**	**–**	**(132,643)**

2015	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total reportable segments $'000	Intersegment eliminations/ unallocated $'000	Total Restated $'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	**38,978**	**2,334**	**41,312**	**–**	**41,312**
Start-up and acquisition costs	(2,468)	–	(2,468)	–	(2,468)
Depreciation and amortisation expense	(3,356)	(61)	(3,417)	–	(3,417)
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	**276,362**	**6,690**	**283,053**	**–**	**283,053**(1)
Acquisition of plant and equipment and intangibles	5,467	173	5,640	–	5,640
Segment liabilities	**(138,872)**	**(156)**	**(139,028)**	**–**	**(139,028)**(1)

(1) Comparative information has been adjusted for changes in the acquisition accounting for Sydney Ultrasound for Women during the provisional period. Refer Section 5.1 for further information.

Foreign currency translation

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

Foreign operations

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

1.2 Dividends

On 26 February 2016, the Board declared a fully franked interim dividend of 4.00 cents per share. Payment of the interim dividend occurred on 8 April 2016. On 28 August 2015, a fully franked 2015 final dividend of 3.70 cents per share was declared and paid on 15 October 2015. Total dividends declared during the 2016 financial year were 7.70 cents per share ($18.1m). Monash IVF Group's dividend policy is to intend a target payout ratio of between 60% and 70% of Statutory NPAT. The level of payout ratio is expected to vary between periods depending on general operating conditions, operating cashflow and profit, funding and availability of franking credits.

Subsequent to 30 June 2016, the Board has declared a fully franked 2016 final dividend of 4.50 cents per share. Total dividend declared for 2016 is 8.50 cents per share.

Franking credits surplus as at 30 June 2016 is $0.2m (2015: $1.1m).

1.3 Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Earnings per share	2016 Cents per share	2015 Cents per share
Basic earnings per share	12.2	9.2
Diluted earnings per share	12.2	9.2

Profit attributable to ordinary shareholders	2016 $'000	2015 $'000
Profit after income tax attributable to the ordinary shareholders used in calculating basic and diluted earnings per share	28,775	21,373

Weighted average number of shares (basic)	2016 Number	2015 Number
Issued ordinary shares at 1 July	235,395,438	231,081,089
Effect of shares issued	–	165,482
Adjustments for calculation of diluted earnings per share(1)	1,033,570	800,000
Weighted average number of ordinary shares (diluted) at 30 June	**236,429,008**	**232,046,571**

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

1.4 Taxation

Recognition and measurement

Income tax

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

Current tax

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

Income tax

	2016 $'000	2015 $'000
Current tax	10,752	6,969
Deferred tax	1,070	2,359
Total income tax expense	**11,822**	**9,328**
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	1,141	2,418
Increase in deferred tax liabilities	(71)	(59)
Total deferred tax expense	**1,070**	**2,359**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	40,597	30,701
Tax at the Australian tax rate of 30% (2015: 30%)	12,179	9,210
Tax effect of amounts which are not deductible in calculating taxable income:		
Effect of tax rates in foreign jurisdiction	(117)	(114)
Research and development	(175)	–
Other items	125	232
Over provision of previous year	(190)	–
Income tax expense	**11,822**	**9,328**

1.4 Taxation continued

Deferred tax

2016

In thousands of dollars	Deferred tax asset 1 July 2015	Deferred tax liability at 1 July 2015	Recognised in profit or loss	Recognised directly in equity	Deferred tax asset at 30 June 2016	Deferred tax liability at 30 June 2016
Plant and equipment	–	(356)	71	–	–	(285)
Intangible assets	–	(5,944)	–	–	–	(5,944)
IPO transaction costs	3,478	–	(1,160)	–	2,318	–
Derivatives	220	–	–	(48)	172	–
Trade payables and provision	746	–	(59)	–	687	–
Employee benefits	2,257	–	78	–	2,335	–
Tax (liabilities)/assets before set off	**6,701**	**(6,300)**	**(1,070)**	**(48)**	**5,512**	**(6,229)**
Set off tax	(6,300)	6,300	–	–	(5,512)	5,512
Net tax assets/(liabilities)	**401**	**–**	**–**	**–**	**–**	**(717)**

2015

In thousands of dollars	Deferred tax asset 1 July 2014	Deferred tax liability at 1 July 2014	Recognised in profit or loss	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	–
Employee benefits	1,879	–	378	–	2,257	–
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**	**–**

Recognition and measurement

Deferred tax

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

Deferred tax is not recognised for the following temporary differences:

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

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

Offsetting deferred tax

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

Tax consolidation

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

Key estimate and judgement: Recovery of deferred tax assets

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

Key estimate and judgement: Income taxes

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

Section 2 Our Operating Asset Base

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

2.1 Trade and other receivables

Recognition and measurement

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

A financial asset (including trade receivables) not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Trade and other receivables are impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Particularly for trade receivables a review is performed as to whether they are collectable according to the original terms of the sale transaction. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

	2016 $'000	2015 $'000
Current		
Trade receivables	3,778	2,839
Provision for impairment	(519)	(446)
Other debtors	870	604
Accrued income	325	113
Total current trade and other receivables	**4,454**	**3,110**
Non-current		
Other receivables and debtors	413	423
Total trade and other receivables	**4,867**	**3,533**

Credit risk

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

Credit risk is managed at a business unit level and reviewed regularly by the administrative/accounts receivables function. Up to 100% of patient fees are received in advance and recognised as deferred revenue if the procedure is yet to be performed. This reduces the risk of non-collectability. Trade receivables reflect 2.4% of annual revenue (FY2015: 2.3%).

Payment reminder notices are issued to patients with outstanding balances at 30, 60 and 90 days. After which, collection of this debt is handled by a collection agency.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

2.2 Plant and equipment

Recognition and measurement

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

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

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

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

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

Subsequent costs

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

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

Key estimate and judgement: Plant and equipment

The Group's plant and equipment 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.

Depreciation

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

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

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

2.2 Plant and equipment continued

Plant and equipment	2016 $'000	2015 $'000
Cost		
Opening Balance at 1 July	36,214	27,812
Additions through business combinations	–	2,875
Additions	8,069	5,527
Asset write off(2)	(160)	–
Reclassification to software(3)	(3,823)	–
Closing balance at 30 June	**40,300**	**36,214**
Depreciation and impairment losses		
Opening Balance at 1 July	(21,748)	(18,681)
Depreciation for the year(1)	(3,713)	(3,067)
Asset write off(2)	40	–
Reclassification to software(3)	365	–
Closing balance at 30 June	**(25,056)**	**(21,748)**
Carrying amount		
At 1 July (Opening balance)	**14,466**	**9,131**
At 30 June (Closing balance)	**15,244**	**14,466**

(1) The estimated useful lives of plant & equipment in 2016 and 2015 are between 2-10 years from the acquisition date.

(2) Accidental damage to assets (recovered through insurance).

(3) Reclassification of software related assets previously held as work-in-progress and capitalised to software upon completion in the current financial year. Refer to Section 2.3.

2.3 Intangible assets

Recognition and measurement

Goodwill

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

Subsequent expenditure

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

Other intangible assets

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

Amortisation

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

The estimated useful lives of software in 2016 and 2015 are between 5-10 years from the acquisition date.

Cost	Goodwill $'000	Software $'000	Trademark $'000	Others[(1)] $'000	Total $'000
Balance at 1 July 2014	199,235	8,635	19,845	9,587	237,302
Additions	–	113	–	–	113
Acquisition through business combination (restated)[(3)]	31,422	–	–	–	31,422
Balance at 30 June 2015 (restated)[(3)]	230,657	8,748	19,845	9,587	268,837
Balance at 1 July 2015	230,657	8,748	19,845	9,587	268,837
Additions	–	134	–	–	134
Reclassification of software[(2)]	–	3,823	–	–	3,823
Balance at 30 June 2016	**230,657**	**12,705**	**19,845**	**9,587**	**272,794**
Amortisation and impairment losses					
Balance at 1 July 2014	(1,549)	(6,490)	–	(9,587)	(17,626)
Amortisation for the year	–	(350)	–	–	(350)
Impairment loss	–	–	–	–	–
Balance at 30 June 2015	(1,549)	(6,840)	–	(9,587)	(17,976)
Balance at 1 July 2015	(1,549)	(6,840)	–	(9,587)	(17,976)
Amortisation for the year	–	(501)	–	–	(501)
Reclassification of software[(2)]	–	(365)	–	–	(365)
Impairment loss	–	–	–	–	–
Balance at 30 June 2016	**(1,549)**	**(7,706)**	**–**	**(9,587)**	**(18,842)**
Carry amounts					
at 30 June 2015	229,108	1,908	19,845	–	250,861
at 30 June 2016	**229,108**	**4,999**	**19,845**	**–**	**253,952**

(1) Public Contracts, Public Relationships and Employment Contracts amortised to nil prior to 1 July 2014.

(2) Reclassification of software related assets from Section 2.2 previously held in plant and equipment as work-in-progress.

(3) Comparative information has been adjusted for changes in the acquisition accounting for Sydney Ultrasound for Women during the provisional period. Refer Section 5.1 for further information.

Impairment testing

Recognition and measurement on impairment on non-financial assets

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

2.3 Intangible assets continued

Impairment testing continued

Recognition and measurement on impairment on non-financial assets continued

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

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

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

In FY16, an Ultrasound CGU was identified and tested separately reflecting the Group's ultrasound businesses.

The following CGUs were tested for impairment during the 2016 financial year:

	2016 $'000	2015 $'000 restated(1)
Goodwill allocated to:		
Monash IVF Group (Australia)	195,727	223,959
Monash IVF Group (Ultrasound)	28,232	–
Monash IVF Group (International)	5,149	5,149
	229,108	**229,108**

(1) Comparative information has been adjusted for changes in the acquisition accounting for Sydney Ultrasound for Women during the provisional period. Refer Section 5.1 for further information.

Key estimate and judgement: Goodwill & Other indefinite life assets

Goodwill and other indefinite life intangible assets become impaired when their carrying value exceeds their recoverable amount. Recoverable amount is the greater of fair value less costs to sell or value in use. In determining the recoverable amount, 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 determining the net present value of these future cash flows.

Goodwill impairment testing assumptions

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

- The respective discount rate was a pre-tax measure based on the rate of 10 year Government bonds issued by the Australian and Malaysian Government respectively in the relevant market, adjusted for a risk premium to reflect the increased risk of investing in equities generally and the systemic risk of the specific CGU. A pre-tax discount rate of 11.12% (2015: 9.41%) for the Australian and Ultrasound CGUs and pre-tax discount rate of 11.46% (2015:11.18%) for the International CGU was applied in determining the recoverable amount. The discount rate was estimated based on past experience, and the industry average weighted cost of capital.
- Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity of 3.00% (2015:3.00%) has been determined based on an assessment of historical growth rates, expectations of future growth rates and market specific dynamics. Budgeted EBIT was based on the expectation of future outcomes taking into account past experience, adjusted for the anticipated revenue growth.

2.4 Trade and other payables

Recognition and measurement

Trade and other payables

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

Provisions

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

	2016 $'000	2015 $'000 Restated
Current		
Trade payables	3,808	2,081(1)
Accrued expenses	6,680	8,771
Prepaid income	8,186	6,624
Deferred consideration	–	2,619(1)
Contingent consideration	500	500
Total current trade and other payables	**19,174**	**20,595**
Non-current		
Doctor LTIP provision	283	–
Total trade and other payables	**19,457**	**20,595**

(1) Comparative information has been adjusted for changes in the acquisition accounting for Sydney Ultrasound for Women during the provisional period. Refer Section 5.1 for further information.

Section 3 Our People

This section provides financial insight into employee reward and recognition for creating a high performance culture and the Group's ability to attract and retain talent. This section is to be read in conjunction with the Remuneration Report, as set out in the Directors' Report.

3.1 Employee benefits

Recognition and measurement

Short-term obligations

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

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

The aggregate amount of employee benefits is comprised of:

	2016 $'000	2015 $'000
Current liability		
Long service leave	3,321	2,986
Annual leave	3,510	3,482
Total current employee benefits	**6,831**	**6,468**
Non-current liability		
Long service leave	952	1,056
Total non-current employee benefits	**952**	**1,056**

The aggregate employee entitlement provision is $7,783,000 (2015: $7,524,000). Employee benefits incurred during the year were $45,694,000 (2015: $33,891,000).

Key estimate and judgement: Annual leave and long service leave

Long-term employee benefits are measured at the present value of estimated future payments for the services provided by employees up to the end of the reporting period. This calculation requires judgement in determining the following key assumptions:

- Future increase in wages and salary rates;
- Future on-cost rates; and
- Expected settlement dates based on staff turnover history

The liability is discounted using the Australian corporate bond rates which most closely match the terms to maturity of the entitlement.

3.2 Long-term incentive plan

Recognition and measurement – Share-based payments

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

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

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

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

Under the Company's Long Term Incentive ("LTI") Plan, awards (constituting 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. Key management personnel, other senior management and fertility specialists are eligible to participate under the LTI Programs.

Senior executives' long-term incentive plan

The senior executives' LTI are share options and performance rights plans 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. For further detail on the specific LTI plans, refer to the Remuneration Report.

Fertility specialist long-term incentive plan

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

- A Practice Development Award to recognise the consistent development of a fertility specialist's practice at above industry growth rates; and
- A Key Doctor Award to recognise the significant contribution of key fee-for-service fertility specialists and their commitment to the development of Monash IVF.

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

For further detail on the LTI plans, refer to the Remuneration Report.

3.3 Share-based payments arrangements

Long Term Incentive program (equity settled)

Key management personnel are entitled to participate in the Group long-term incentive plan. As detailed below, share options and performance rights were granted in FY15 and FY16 respectively, under the program. There will be no loan from the Company for the acquisition of shares upon vesting of the options.

A description of the equity plans in place during the year ended 30 June 2016 is described below:

Grant date/ employees entitled	Number of performance rights	Vesting conditions	Exercise Price	Contractual life of options
29 June 2016	233,570	EPS – Subject to meeting certain EPS hurdles and 3 year service period to 30 June 2018 TSR – Subject to Total Shareholder Return hurdles and a 3 year service period to the 11th trading day after the FY18 results announcement	N/A	5 years

Grant date/ employees entitled	Number of options	Vesting conditions	Exercise Price	Contractual life of options
30 July 2014	1,000,000	Three years' service from grant date and subject to meeting certain EPS and Total Shareholder Return ("TSR") hurdles	$1.85	5 years

Key estimate and judgement: Share-based payments

As a result of the combination of non-market (EPS) and market (TSR) vesting conditions, the fair value of the share rights plan has been measured using Binomial tree and Monte Carlo simulation respectively.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

	2016	2015
Fair value at grant date (EPS condition)	$1.65	$0.21
Fair value at grant date (TSR condition)	$1.31	$0.19
Share price at grant date	$1.83	$1.73
Exercise price	N/A	$1.85
Expected volatility – Monash IVF	32%	24%
Expected volatility – ASX 300 Healthcare Index	14%	–
Expected life (years)	5	4
Expected dividends	4.80%	4.55%
Risk-free interest rate (based on government bonds)	1.55%	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 behaviour.

Reconciliation of outstanding share options

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

	Number of share options	Weighted-average exercise price $
Outstanding at 1 July 2014	–	
Granted during the year	1,000,000	1.85
Forfeited during the year	(200,000)	1.85
Outstanding at 30 June 2015	800,000	1.85
Granted during the year	–	–
Outstanding at 30 June 2016	800,000	1.85

	Number of performance rights	Weighted-average exercise price $
Outstanding at 1 July 2015	–	–
Granted during the year	233,570	N/A
Forfeited during the year	–	–
Outstanding at 30 June 2016	233,570	–

3.4 Key management personnel

Compensation	2016 $	2015 $
Short-term employee benefits	2,000,828	1,401,484
Post-employment benefits	99,458	99,100
Share-based payments	67,030	36,056
Total key management personnel compensation	**2,167,316**	**1,536,640**

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

Transactions with key management personnel and related parties

During 2015 and 2016, $80,000 pa was paid to Ironbridge Capital Management Pty Ltd for director fees. Refer to the Remuneration Report for further information.

Section 4 Our Funding Structure

This section provides information relating to the Group's capital structure and its exposure to financial risk, how they affect the Group's financial position and performance, and how the risks are managed.

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

4.1 Contributed equity and reserves

Recognition and measurement

Ordinary shares

Ordinary shares are classified as equity.

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

Other equity reserve

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

Profits reserve

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

Share option reserve

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

Hedge reserve

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

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

Foreign currency translation reserve

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

	Number of shares issued	$'000
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**
Opening balance (1/7/15)	**235,395,438**	**428,347**
Issued in business combination	–	–
Closing balance (30/6/16)	**235,395,438**	**428,347**

No shares were issued during the year.

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

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

Ordinary shares

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

Capital management

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

Escrow arrangements

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

	Number of Shares subject to escrow (m) – 30/6/16	Escrowed Shares (as a % of shares on issue)
Doctors[(1)]	21.2	9.01%
Sydney Ultrasound for Women	3.7	1.57%
Total	**24.9**	**10.58%**

(1) Includes 1.2m shares subject to escrow held by Richard Henshaw (Executive Director).

4.1 Contributed equity and reserves continued

Recognition and measurement continued

Doctors

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

Shares equivalent to 10% of a doctor's interest prior to the re-organisation 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).

1. Shares equivalent to 20% of a doctor's interest prior to the re-organisation will be released when the doctor reaches the age of 63. These shares may be otherwise released from escrow in the following circumstances:
    - for doctors who 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 IVF Group in other circumstances.

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

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

(a) A doctor is a 'good leaver' where:

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

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

(b) A doctor is a 'relocated leaver' if they terminate their contract and the Board is satisfied that:

- the doctor genuinely intends to relocate permanently to a place which is more than 100 km from any clinic operated by the Group or any of its subsidiaries; and
- the doctor also intends to provide Assisted Reproductive Services in the place the doctor is relocating to; and
- the doctor has used their best endeavours to transition their practice to another doctor at the Group.

Management & Ironbridge

For management shareholders, shares equivalent to 50% of their interest prior to the re-organisation held by or on behalf of the member of management was released from escrow on 31 August 2015 in shares following an announcement to the ASX by the Group of its final report for FY2015. Ironbridge shares escrowed (11.6m shares) were released from escrow on 31 August 2015. There are no management and Ironbridge escrowed shares currently held.

Escrow for Sydney Ultrasound for Women (SUFW)

All shares issued to the vendors of SUFW are escrowed such that 53.3% of the shares issued 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 and is consistent with the doctors above in points 1 and 2.

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

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

4.2 Financial risk management

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

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

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

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

Liquidity risk

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

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

4.2 Financial risk management continued

Liquidity risk continued

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

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	1-5 years $'000	Over 5 years $'000
2016					
Non-derivative financial liabilities					
Secured bank loans	95,000	(104,193)	(3,046)	(95,302)	(5,845)
Trade and other payables	19,457	(19,457)	(19,174)	(283)	–
Derivative financial liabilities					
Interest rate swaps	564	(564)	(564)	–	–
	115,021	**(124,214)**	**(22,784)**	**(95,585)**	**(5,845)**
2015					
Non-derivative financial liabilities					
Secured bank loans	106,810	(112,343)	(4,164)	(108,179)	–
Trade and other payables (restated)(1)	20,595	(20,595)	(20,595)	–	–
Derivative financial liabilities					
Interest rate swaps	729	(789)	(400)	(389)	–
	128,134	**(133,727)**	**(25,159)**	**(108,568)**	**–**

(1) Comparative information has been adjusted for changes in the acquisition accounting for Sydney Ultrasound for Women during the provisional period. Refer Section 5.1 for further information.

Foreign exchange risk

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

Interest rate risk

Interest rate risk is managed using a mix of floating rate debt and fixed rate instruments. At 30 June 2016 approximately 60% of the interest rate exposure is fixed (2015: 47%). This is achieved by entering into interest rate swaps to mitigate interest rate risk on floating rate debt. Interest rate swaps are not entered into for trading purposes and are not classified as held for trading.

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

	Consolidated	
	2016 $'000	2015 $'000
Fixed rate instruments		
Financial assets	600	562
Financial liabilities	(57,000)	(50,000)
	(56,400)	**(49,438)**
Variable rate instruments		
Financial assets	7,872	9,427
Financial liabilities	(38,000)	(56,810)
	(30,128)	**(47,383)**

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 $301,000 (FY15: $474,000). This assumes that all other variables remain constant.

Market risk – Price risk

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

Fair values

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. The Group has not disclosed the fair values for financial assets such as short-term trade receivables, and financial liabilities such as payables (including variable rate secured bank loans), because these carrying amounts are a reasonable approximation of fair values.

		Fair Value			
2016	Carrying Amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities measured at fair value					
Interest rate swaps for hedging	564	–	564	–	564
	564	**–**	**564**	**–**	**564**

		Fair Value			
2015	Carrying Amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities measured at fair value					
Interest rate swaps for hedging	729	–	729	–	729
	729	**–**	**729**	**–**	**729**
Financial liabilities not measured at fair value					
Deferred consideration (restated)(1)	2,619		2,619	–	2,619
	2,619	**–**	**2,619**	**–**	**2,619**

(1) Comparative information has been adjusted for changes in the acquisition accounting for Sydney Ultrasound for Women during the provisional period. Refer Section 5.1 for further information. Deferred consideration also includes $980,000 paid during 2016 relating to the Reproductive Medicine Albury acquisition which occurred in 2014.

The table above analyses financial assets and liabilities carried at fair value. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4.2 Financial risk management continued

Fair values continued

(b) Measurement of fair value

(i) Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Interest rate swaps for hedging	*Market comparison technique:* The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments	Not applicable	Not applicable

4.3 Borrowings

Recognition and measurement

Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge certain floating interest rate exposures. On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedging items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of 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 hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributed transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes to therein are accounted for as described below. All derivative financial instruments are valued using unadjusted quoted prices in active markets for identical assets or liabilities.

Cash flow hedge

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in OCI and presented in the hedging reserve in equity. To the extent that the hedge is ineffective changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in OCI and presented in the hedge reserve in equity remains there until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in OCI is recognised immediately in profit or loss. In other cases the amount recognised in OCI is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Borrowings

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

On 21 June 2016, the Group refinanced its syndicate debt facility. The new facility comprises of a $110.0m syndicated debt and $5.0m working capital facility. In addition, the Group has access to an uncommitted $40.0m accordion facility for acquisition and capital expenditure purposes. The maturity profile of the syndicated debt facility is as follows for amounts utilised:

				30 June 2016	
	Currency	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000
Commercial loans	AUD	3.08%	2020	66,000	66,000
	AUD	3.23%	2021	22,000	22,000
	AUD	3.38%	2022	7,000	7,000
Total interest-bearing liabilities				**95,000**	**95,000**

				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**

Borrowing carrying values are as follows:

	2016 $'000	2015 $'000
Current borrowings		
Derivatives	564	729
Capitalised finance facility fees	(111)	–
	453	**729**
Non-current borrowings		
Commercial loans	95,000	106,810
Capitalised finance facility fees	(452)	(550)
	94,548	**106,260**

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

The Group is subject to certain financial undertakings under the banking facilities which will be tested at 31 December and 30 June each year. As at 30 June 2016, the Group is compliant with its financial undertakings and expects to remain in compliance with these financial undertakings. During the prior year, there were no defaults or breaches of covenants on any loans.

As at 30 June 2016, the Group had $900,000 bank guarantees in place (2015: $800,000).

4.4 Net finance Costs

Recognition and measurement

Finance income and finance costs include:

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

	2016 $'000	2015 $'000
Finance income		
Interest income	26	50
Finance expense		
Interest expense	(4,249)	(4,406)
Amortisation of bank fees(1)	(550)	(182)
Lending fees and other	–	(188)
Total finance expense	**(4,799)**	**(4,776)**
Net finance costs	**(4,773)**	**(4,726)**

(1) Includes $280,000 of capitalised bank charges released to profit and loss after re-financing of the previous syndicated bank facility on 21 June 2016.

4.5 Cash and cash equivalents

Recognition and measurement

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

The Group limits its exposure to credit risk on liquid funds because the counterparties engaged are banks with high credit ratings assigned by international credit agencies. At balance date, the Group had $8,472,000 in short-term deposits or cash at bank with 'A' rated or higher Australian banks.

	2016 $'000	2015 $'000
Cash at bank and in hand	7,872	9,427
Short-term bank deposits	600	562
Total cash and cash equivalents	**8,472**	**9,989**

Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities	2016 $'000	2015 $'000
Profit for the period	28,775	21,373
Adjustments for:		
Net finance expense	4,773	4,726
Depreciation and amortisation	4,214	3,417
Income tax expense	11,822	9,328
Share options expense	117	36
Write offs of plant and equipment	120	–
Doctor LTIPs expense	283	–
Operating profit before changes in working capital and provisions	**50,104**	**38,880**
(Increase)/decrease in trade and other receivables	(1,334)	701
Increase in other assets	(1,114)	(1,118)
Increase in trade and other payables	1,234	1,560
Increase in provisions and employee benefits	259	121
Income taxes paid	(4,987)	(4,136)
Net cash from operating activities	**44,162**	**36,008**

Section 5 Our Business Portfolio

This section provides further insight into the business acquired and group of subsidiary companies.

5.1 Business combinations	5.2 Controlled entities

5.1 Business combinations

Recognition and measurement

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.

Key estimate and judgement: 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.

During the year, provisional accounting for the Fertility East and Sydney Ultrasound for Woman acquisitions was finalised.

Sydney Ultrasound for Women

During the period, the provisional fair values included in the 30 June 2015 financial statements have been finalised subsequent to the completion review. The effect of these changes to the provisional fair values of assets and liabilities acquired and consideration transferred resulted in a reduction in the total consideration transferred by $1,361,000, increase in current tax liabilities of $519,000, an increase in trade and other payables of $106,000 and reduction in fair value of equity accounted investments by $973,000. The net impact of these adjustments increases goodwill by $237,000. The finalised consideration and net asset acquired is as follows:

Consideration	$'000
Initial cash payment	21,069
Deferred cash payment	1,613
Ordinary share issue	5,781
Total	**28,463**

Identifiable assets required and liabilities assumed	$'000
Cash and cash equivalents	539
Trade and other receivables	128
Prepayments	52
Investments	100
Plant and equipment	2,261
Tax liability	(532)
Employee provisions	(888)
Trade and other payables	(1,429)
Net assets acquired	**231**

Fertility East

The provisional amounts for assets and liabilities acquired were finalised during the period. There were no changes to the values as disclosed at 30 June 2015.

5.2 Controlled entities

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

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

Section 6 Other Disclosures

6.1 New standards and interpretations

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
AASB 9 *Financial Instruments*	AASB 9, published in December 2014, replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.
AASB 15 *Revenue from contracts with customers*	AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction contracts*, and AASB Interpretation 13 *Customer Loyalty Programmes*. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15.
AASB 16 *Leases*	AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee, effectively treating all leases as finance leases. This will effectively move all off-balance sheet operating leases onto the balance sheet. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 16.

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

- AASB 14 Regulatory Deferral Accounts;
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to AASB 11);
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138);
- Equity Method in Separate Financial Statements (Amendments to AASB 127);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128);
- Annual Improvements to AASBs 2014–2016 Cycle – various standards;
- Investment Entities: Applying the Consolidation Exception (Amendments to AASB 10, AASB 12 and AASB 128);
- Disclosure Initiative (Amendments to AASB 101); and
- Agriculture: Bearer Plants (Amendments to AASB 116 and AASB 141).

6.2 Commitments

Capital commitments

The Group has $710,000 capital expenditure contracted for at the end of the reporting period but not recognised as a liability (2015: $357,000).

Non-cancellable operating leases

The Group is party to various non-cancellable operating leases expiring within 1 to 10 years which are subject to various terms.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2016 $'000	2015 $'000
within one year	5,281	4,469
later than one year but no later than five years	12,934	13,766
later than five years	2,506	4,227
	20,721	**22,462**

During the financial year ended 30 June 2016, $5,959,000 was recognised as an expense in the income statement in respect of operating leases (2015: $4,891,000).

6.3 Parent entity disclosures

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

	2016 $'000	2015 $'000
Results of parent entity		
Profit after tax	24,754	9,284
Other comprehensive income	–	–
Total comprehensive income	**24,754**	**9,284**
Financial position of the parent entity at year end		
Current assets	434,098	421,295
Total assets	437,964	425,161
Current liabilities	(10,036)	(3,758)
Total liabilities	(10,036)	(3,758)
Net assets	**427,928**	**421,403**
Total equity of the parent entity comprising of:		
Share capital	428,347	428,347
Retained earnings	(419)	(6,944)
Total equity	**427,928**	**421,403**

Contractual commitments for the acquisition of property, plant & equipment

The parent entity did not have any capital commitments for the acquisition of property, plant or equipment as at 30 June 2016 (2015: nil).

Parent entity guarantees in respect of the debts of its subsidiaries

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

6.4 Deed of cross guarantee

The below listed entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission.

The below companies represent the parties to the deed of cross guarantee ('closed group') for the purposes of the legislative instrument entered into on 26 June 2014:

- Monash IVF Group Ltd
- Monash IVF Group Acquisition Pty Ltd
- Healthbridge Enterprises Pty Ltd
- Healthbridge Shared Services Pty Ltd
- Healthbridge IVF Holdings Pty Ltd
- ACN 169060495 Pty Ltd
- ACN 166701819 Pty Ltd
- 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

6.4 Deed of cross guarantee continued

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 2016 is set out as follows:

	2016 $'000	2015 $'000
Extract of the statement of profit or loss and other comprehensive income		
Profit before tax	35,699	30,154
Income tax expense	(10,709)	(8,844)
Net profit after tax	**24,990**	**21,310**
Other comprehensive income		
Profit for the period	24,990	21,310
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	165	(673)
Tax on cash flow hedges	(49)	202
Other comprehensive income for the year, net of tax	**25,106**	**20,839**
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	(140,665)	(154,465)
Profit for the period	24,990	21,310
Changes in ownership interest in subsidiaries that do not result in change in control	–	–
Dividends paid – ordinary shares	(18,125)	(7,510)
Retained earnings at the end of the financial year	**(133,800)**	**(140,665)**

Statement of financial position	2016 $'000	2015 $'000
Current assets		
Cash and cash equivalents	6,269	7,910
Trade and other receivables	3,131	2,827
Other assets	4,730	3,419
Total current assets	**14,130**	**14,156**
Non-current assets		
Investment in subsidiaries	15,873	15,873
Trade and other receivables	28,711	27,918
Property, plant and equipment	10,841	11,203
Intangible assets	217,502	214,410
Deferred tax assets	(812)	409
Total non-current assets	**272,115**	**269,813**
Total assets	**286,245**	**283,969**
Current liabilities		
Trade and other payables	18,296	16,672
Borrowings	564	729
Current tax liability	8,392	3,416
Employee benefits	6,285	5,628
Total current liabilities	**33,537**	**26,445**
Non-current liabilities		
Trade and other payables	393	–
Borrowings	94,437	106,260
Employee benefits	582	827
Contingent consideration	–	–
Total non-current liabilities	**95,412**	**107,087**
Total liabilities	**128,949**	**133,532**
Net assets	**157,296**	**150,437**
Equity		
Contributed equity	428,347	428,347
Reserves	(137,251)	(137,245)
Retained earnings	(133,800)	(140,665)
Total equity	**157,296**	**150,437**

6.5 Auditors' remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2016 $	2015 $
Audit services – KPMG		
Audit and review of financial statements	284,000	302,000
Other services – KPMG		
Taxation services	38,094	40,000
Other services	131,617	11,000
Total other services – KPMG	**169,711**	**51,000**
Other auditors (non-KPMG)		
Audit and review of financial statements	8,805	7,500
Total services	**462,516**	**360,500**

6.6 Events occurring after the reporting period

On 26 August 2016, a fully franked dividend of 4.5 cents per share was declared. The record date for the dividend is 7 September 2016 and the payment date for the dividend is 14 October 2016.

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.

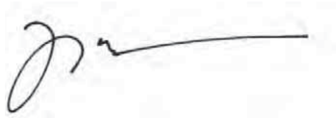
Directors' Declaration

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 57 to 98 and the Remuneration report on pages 30 to 44 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 2016 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 Section 5.2 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.
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 2016.
4. The Directors draw attention to page 62 to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at Sydney, 26th day of August 2016

Mr Richard Davis
Chairman
26 August 2016



Mr Benjamin ('James') Thiedeman
Chief Executive Officer
26 August 2016

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 2016, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1.1 to 6.6 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 the notes to the financial statements, 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.

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 2016 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 within the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 30 to 44 of the directors' report for the year ended 30 June 2016. 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 2016 complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

BW Szentirmay
Partner

Melbourne

26 August 2016

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 12 September 2016.

Distribution of Shareholders – ordinary Shareholders

Size of Holding	No of Shareholders	Ordinary Shares	% of issued capital
1 to 1,000	1,280	805,791	0.34%
1,001 to 5,000	2,331	6,462,309	2.75%
5,001 to 10,000	872	6,669,669	2.83%
10,001 to 100,000	835	20,014,834	8.50%
100,001 and over	100	201,442,835	85.58%
Total	**5,418**	**235,395,438**	**100.00%**

Based on a closing share price of **$2.28** on 12 September 2016, the number of shareholders holding less than a marketable parcel of **220** securities is **76** and they hold **3,863** shares.

20 Largest Shareholders – Ordinary Shareholder

Rank	Name	No. of fully paid shares	% of Issued Capital
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	53,808,417	22.86%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	46,751,762	19.86%
3	NATIONAL NOMINEES LIMITED	11,207,466	4.76%
4	ARGO INVESTMENTS LIMITED	7,711,645	3.28%
5	GATTACA HOLDINGS NV	7,598,385	3.23%
6	CITICORP NOMINEES PTY LIMITED	7,306,352	3.10%
7	BNP PARIBAS NOMS PTY LTD	4,853,834	2.06%
8	MR FEI WANG	3,300,000	1.40%
9	PACIFIC CUSTODIANS PTY LIMITED	3,299,876	1.40%
10	CITICORP NOMINEES PTY LIMITED	2,604,337	1.11%
11	UBS NOMINEES PTY LIMITED	2,270,786	0.96%
12	BAINPRO NOMINEES PTY LIMITED	2,102,986	0.89%
13	IPPOLITI PTY LTD	2,011,336	0.85%
14	AUST EXECUTOR TRUSTEES LTD	1,970,741	0.84%
15	AUST EXECUTOR TRUSTEES LTD	1,970,741	0.84%
16	VOLLENHOVEN INVESTMENTS PTY LTD	1,812,787	0.77%
17	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,812,649	0.77%
18	MR PRASHANT NADKARNI	1,705,065	0.72%
19	WARBONT NOMINEES PTY LTD	1,642,326	0.70%
20	UBS NOMINEES PTY LTD	1,253,965	0.53%
Total		**166,995,456**	**70.94%**
Balance of register		**68,399,982**	**29.06%**
Grand total		**235,395,438**	**100.00%**

Substantial Shareholders

Rank	Name	No. of fully paid shares	% of Issued Capital
1	AUSTRALIANSUPER PTY LTD	22,583,554	9.59%
2	THE CAPITAL GROUP COMPANIES, INC.	18,520,000	7.87%

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

Clayton Utz
18/333 Collins St,
Melbourne VIC 3000

Phone: (03) 9286 6000

Auditor

KPMG
147 Collins Street
Melbourne, VIC, 3000

Corporate Office

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

Phone: 03 9420 8235

Website

www.monashivfgroup.com

www.monashivfgroup.com

MONASH IVF GROUP