Monash IVF Group Limited
Appendix 4D Half year report
ACN 169 302 309

Reporting period:	Half year ended 31 December 2019
Previous corresponding period:	Half year ended 31 December 2018
Release date:	21 February 2020

Results for announcement to the market

				A$'000
Revenue from ordinary activities	down	0.2%	to	77,047
Earnings before interest, tax, depreciation (EBITDA)(5)	down	2.8%	to	18,217
Adjusted Earnings before interest, tax, depreciation (Adjusted EBITDA)(1)(2)(3)(4)(5)	down	13.0%	To	16,814
Earnings before interest and tax (EBIT)	down	14.5%	to	13,116
Adjusted Earnings before interest and tax (Adjusted EBIT)(1)(3)(4)	down	15.7%	to	14,170
Net profit from ordinary activities after tax attributable to members	down	15.6%	to	8,157
Adjusted Net profit from ordinary activities after tax attributable to members(1)(2)(3)(4)	down	15.3%	to	9,051

(1) Non-regular items include transaction costs on acquisition activity including Fertility Solutions ($433,000 pre-tax), restructuring costs ($493,000 pre-tax) and provision for patient claim ($728,000 pre-tax). Refer to page 4 of the interim financial report.

(2) AASB 16 *Leases* accounting changes effective 1 July 2019 on depreciation expense of right of use assets ($2,460,000 pre-tax). Refer to page 4 of the interim financial report.

(3) AASB 16 *Leases* accounting changes effective 1 July 2019 on interest expense of lease liability ($337,000 pre-tax). Refer to page 4 of the interim financial report.

(4) Differences on profile of leases adjustment ($263,000) being the differences between rent payment and the AASB 16 *Leases* accounting being the depreciation of the right of use assets and the interest expense on lease liability. Refer to page 4 of the interim financial report.

(5) EBITDA is earnings before interest, tax, depreciation and amortisation. EBITDA is a non IFRS measure which is used by the Group as a key indicator of underlying performance. This non IFRS measure is not subject to audit or review.

Dividends	Date paid / payable	Amount per security	Franked amount per security
Interim Dividend Current reporting period	3 APR 2020	2.1¢	2.1¢
Interim Dividend Previous corresponding period	5 APR 2019	3.0¢	3.0¢
Final Dividend year ending 30 June 2019	11 OCT 2019	3.0¢	3.0¢
Record date for determining entitlements to the Final Dividend:		6 March 2020	

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

Net tangible assets per security	Current period	Previous corresponding period
Net tangible asset backing (per share)	($0.36)	($0.36)
Net asset backing (per share)	$0.74	$0.72

Monash IVF Group Limited
ACN 169 302 309
Interim Financial Report
For the half year ended 31 December 2019

Directors Report for the half year ended 31 December 2019

The Directors present their report together with the consolidated financial report of Monash IVF Group Limited ('the Group'), being the Company (Monash IVF Group Limited), its subsidiaries, and the Group's interest in associated entities as at and for the half year ended 31 December 2019, and the auditor's review report thereon.

Directors

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

Mr Richard Davis
Ms Christina Boyce
Mr Neil Broekhuizen
Mr Josef Czyzewski
Dr Richard Henshaw
Ms Zita Peach
Mr Michael Knaap

Principal activity

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

Operational and Financial Review

The Group reported an Adjusted net profit after tax (NPAT)[1][2][3][4] and before non-controlling interests of $9.1m whilst Group revenues were in line with pcp at $77.0m for the six month period ended 31 December 2019 (1H20).

The below 'Adjusted' financial metrics are presented for comparative purposes due to the adoption of AASB16 Leases which took effect on 1 July 2019 which was not retrospectively applied to previous periods and certain non-regular items.

$m	1H20	1H19	% Change
Group Revenue	$77.0	$77.2	(0.2%)
Adjusted EBITDA[1][2][3][4][5]	$16.8	$19.3	(13.0%)
EBITDA[5]	$18.2	$18.7	(2.8%)
Adjusted EBIT[1][3][4]	$14.2	$16.8	(15.7%)
EBIT	$13.1	$15.3	(14.5%)
NPAT attributable to ordinary shareholders	$8.2	$9.7	(15.6%)
Adjusted NPAT[1][4]	$9.1	$10.7	(15.3%)
EPS (cents)	3.5	4.1	(14.6%)
Dividend (cents)	2.1	3.0	(30.0%)
	31 Dec 19	30 Jun 19	
Net Debt (m)	$91.5	$84.7	
Net Debt to Equity ratio [6]	52.2%	48.8%	
Return on Equity (pa.) [7]	9.2%	12.0%	

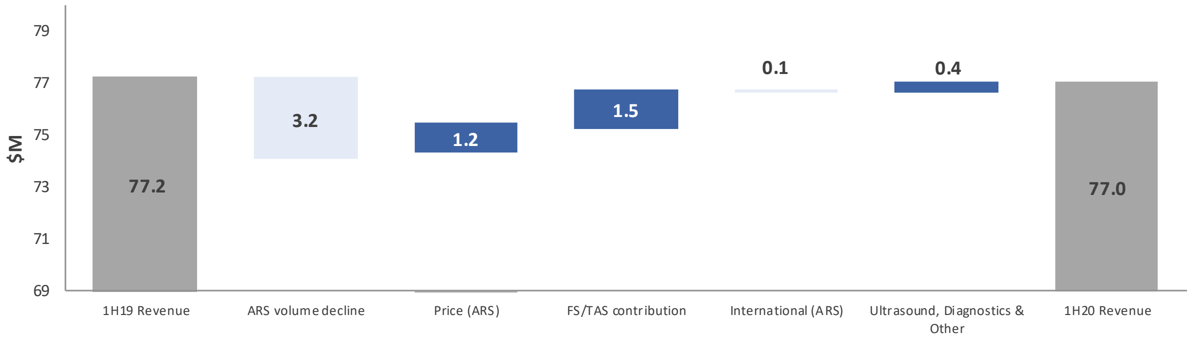
(1) Non-regular items include transaction costs on acquisition activity including Fertility Solutions ($433,000 pre-tax), restructuring costs ($493,000 pre-tax) and provision for patient claim ($728,000 pre-tax) Refer to page 4 of the interim financial report.
(2) AASB 16 Leases accounting changes effective 1 July 2019 on depreciation expense of right of use assets ($2,460,000 pre-tax).
(3) AASB 16 Leases accounting changes effective 1 July 2019 on interest expense of lease liability ($337,000 pre-tax).
(4) Differences on profile of leases adjustment ($263,000) being the differences between rent payment and the AASB 16 Leases accounting being the depreciation of the right of use assets and the interest expense on lease liability.
(5) EBITDA is earnings before interest, tax, depreciation and amortisation. EBITDA is a non IFRS measure which is used by the Group as a key indicator of underlying performance. This non IFRS measure is not subject to audit or review.
(6) Net Debt to Equity is calculated using Net Debt divided by equity as at 31 December 2019.
(7) Return on Equity is calculated using NPAT for the previous 12 month period divided by the average equity in the same period.

Overview of the period

- $9.1m Adjusted NPAT marginally above guidance.
- Foundation set for the future as fundamentals remain strong, new specialists attracted and investment into future growth.
- 1H20 Revenue largely maintained (down $0.2m) not withstanding specialist departures as we diversify our income streams.
- Volume growth achieved in our SA and QLD businesses whilst investment in NSW will drive future growth.
- Victorian business stabilised as all specialists are contracted and aligned to deliver future growth.
- Footprint broadened through Fertility Solutions acquisition, new Penrith clinic and majority holding in Fertility Tasmania reducing impact from Victorian volume decline.
- Sydney Ultrasound Transformation review progressing as total scans across the Group grew by 2.3%.
- Scientific best-in-class capability demonstrated with strong take-up of our world-first NIPGT across our clinic network.
- Capital metrics remain solid and will support growth initiatives.
- 2.1 cent fully franked interim dividend declared.

Revenue

Group revenues decreased by $0.2m or 0.2% to $77.0m compared to pcp. A summary is detailed in the waterfall chart below:



The following details key movements in revenue:

- Organic Revenue grew by 3.7% outside of Victoria.
- ARS volume decline: $3.2m revenue decline reflecting Stimulated Cycle growth in QLD and SA, as SA grew its Stimulated Cycles[(1)] by 6% and QLD full service Stimulated Cycles grew by 3%, offset by volume decline in Victoria and MyIVF.
- ARS price: $1.2m revenue growth from price increases of between 2% and 3% across all ARS service offerings.
- Fertility Solutions/Tasmania contribution: $1.5m revenue increase due to contribution from the Fertility Solutions acquisition (from September) and contribution from Fertility Tasmania (from August) subsequent to taking a controlling stake.
- International ARS: $0.1m ARS revenue decline in our Malaysian clinic as Stimulated Cycles declined by 3% on pcp.
- Ultrasound, Diagnostics & Other: $0.4m revenue growth derived from an increase in Day Surgery income, growth in Ultrasound scans and genetics income.

Expenditure before interest and tax

Total expenditure before interest and tax increased by $2.1m or 14.5%. The increase is due to:

- Operating expenditure from the Fertility Solutions acquisition (September 2019) and consolidation of Fertility Tasmania (from August 2019);
- Increased marketing expenditure focussed on digital channels, GP and prospective patient events, doctor engagement and patient enquiry conversion;
- Transformation restructuring costs, acquisition costs and provision for patient claim (Refer to Page 4 for further detail).

[(1)] Stimulated cycles are medicare item 13200 and 13201

Other expenditure

Finance cost

Net finance cost is $2.1m or $0.2m higher than pcp due to the application of the new leasing standard ($0.3m) partly offset by a reduction in variable debt interest expenditure due to a lower average BBSY during the period.

Taxation

The effective tax rate is 27.1% (1H19: 28.4%). This reflects the 30% Australian and 24% Malaysian corporate tax rate as well as capturing the research and development tax incentives as we continue to invest in innovation.

Segment analysis

	Australia			International		
$m	1H20	1H19	% change	1H20	1H19	% change
Revenue	71.33	71.63	(0.4%)	5.71	5.53	3.2%
Adjusted EBITDA[1][2][3][4][5][6]	14.35	16.26	(11.8%)	2.47	2.48	(1.7%)
Adjusted EBIT[1][3][4][6]	11.86	14.32	(17.2%)	2.31	2.35	(0.7%)
Adjusted NPAT[1][4][6]	7.17	8.86	(19.0%)	1.88	1.80	4.4%

(1) Non-regular items include transaction costs on acquisition activity including Fertility Solutions ($433,000 pre-tax), restructuring costs ($493,000 pre-tax) and provision for patient claim ($728,000 pre-tax) Refer to page 4 of the interim financial report.
(2) AASB 16 Leases accounting changes effective 1 July 2019 on depreciation expense of right of use assets ($2,460,000 pre-tax).
(3) AASB 16 Leases accounting changes effective 1 July 2019 on interest expense of lease liability ($337,000 pre-tax).
(4) Differences on profile of leases adjustment ($263,000) being the differences between rent payment and the AASB 16 Leases accounting being the depreciation of the right of use assets and the interest expense on lease liability.
(5) EBITDA is earnings before interest, tax, depreciation and amortisation. EBITDA is a non IFRS measure which is used by the Group as a key indicator of underlying performance. This non IFRS measure is not subject to audit or review.
(6) 1H19 adjusted for pre-tax one-off items including Mosman clinic closure accelerated depreciation ($882k), make-good provision ($100k pre-tax) and CEO separation costs ($473k pre-tax).

Australia

Australian revenues declined by $0.3m (0.4%) noting the following:

- Group Organic Stimulated Cycles (excluding specialist departures) grew by 0.5% compared to pcp and above our Key Markets*;
- South Australia demonstrated 6.1% Stimulated Cycle growth and grew its market share after achieving 18.5% growth in FY19;
- Organic Queensland Full Service Stimulated Cycles grew by 3% and maintained its market share after delivering 8% growth in FY19. In addition, the Fertility Solutions acquisition is in line with expectations;
- New South Wales Stimulated Cycles were stable, maintaining market share;
- Victorian Stimulated Cycles were flat on pcp (excluding specialist departures) due to pressure from low-cost providers;
- Fertility Tasmania clinic is consolidated into the Group from August achieving 22% market share in Tasmania in H120;
- Australian Frozen Embryo Transfers were flat on pcp with growth achieved in all Markets except for VIC and NT;
- Ultrasound scan volumes increased by 2.3% to 39,525 primarily due to recovery of activity in the Sydney Ultrasound for Women business;
- Pre-implantation Genetic Screening/Diagnosis (PGS/D) has increased by 47.5% due primarily to higher patient demand for the non-invasive pre-implantation genetic screening. The non-invasive prenatal testing (NIPT) volumes continue to grow after replacing the previously outsourced service.

Australian Adjusted EBIT declined by $2.4m (17.2%) to $11.9m whilst EBITDA margin declined by 2.6% to 20.1% compared to pcp, reflecting loss of high marginal volume activity in Victoria as revenue increases in other jurisdictions and from ancillary services contributed higher revenue at lower EBITDA margins. In addition, cost base investment in marketing, scientific capability and doctor capacity further impacted EBITDA margins in 1H20.

* Key markets are Victoria, New South Wales, Queensland, South Australia and Northern Territory.

Segment analysis (continued)

International

The International segment comprising the Kuala Lumpur clinic experienced a 3.1% decline in Stimulated Cycles during 1H20 after experiencing six years of growth since acquisition in FY13. Activity was impacted by macroeconomic conditions in Malaysia and tax relief for IVF treatments expected in CY2020. International revenues increased by $0.2m (3.2%) to $5.7m vs pcp not withstanding a Stimulated Cycle decline of 3.1% to 502 and frozen embryo transfers decline of 1.5% to 473 which was offset by other service revenue. International Adjusted EBITDA was a decline of 1.7% on pcp at $2.5m with a margin decrease of 1.7% to 43.2%. The marginal increase in EBITDA margin was due to investment in nursing capability which is improving the patient experience and will support future growth.

Earnings reconciliation

The table below provides a summary of 1H20 non-regular items and AASB16 *Leases* adjustments compared to 1H19:

	1H20 $m	1H19 $m
Statutory NPAT(1)	**8.2**	**9.7**
Acquisition costs	0.3	-
Restructuring costs applicable to our cost reduction program	0.4	-
Provision for patient claim	0.5	-
Differences on profile of leases	(0.3)	-
Mosman clinic closure and CEO separation costs	-	1.0
Adjusted NPAT(1)	9.1	10.7

The table below provides a reconciliation of 1H20 Adjusted EBITDA, EBIT and NPAT to the reported statutory metrics:

$m	EBITDA	EBIT	NPAT(1)
Reported Statutory	**18.2**	**13.1**	**8.2**
Acquisition costs	0.4	0.4	0.3
Restructuring costs applicable to our cost reduction program	0.5	0.5	0.4
Provision for patient claim	0.8	0.8	0.5
AASB16 *Leases* accounting standard change adjustment	(2.8)	(0.3)	-
Differences on profile of leases	(0.3)	(0.3)	(0.3)
Adjusted	16.8	14.2	9.1

(1) Attributable to members

- Acquisition costs include transaction costs associated with the Fertility Solutions acquisition.
- Restructuring costs applicable to our cost reduction program commenced in Q2 FY20 and is expected to be completed during 2H20. The annualised benefit to NPAT is expected to be approximately $2.5m with a net benefit of $1.2m in FY21.
- Estimated provision attached to a disputed patient claim applicable to 2013 and prior to IPO.
- Lease expenses are no longer included in EBITDA due to the adoption of AASB16 Leases effective 1 July 2019 which has the following effect on 1H20:
  - Increase depreciation & amortisation by $2.5m
  - Increase interest expense by $0.3m.
- Difference on profile of leases is a result of change to Lease accounting standard.

Statement of Financial Position and Capital Metrics

Balance Sheet ($m)	31 Dec 19	30 Jun 19	% change
Cash and cash equivalents	5.0	4.3	16.1%
Other current assets	14.6	11.2	30.1%
Current lease liabilities	(2.2)	-	-
Current liabilities	(22.2)	(24.2)	(8.6%)
Net working capital	**(4.8)**	**(8.7)**	(45.0%)
Borrowings[1]	(96.5)	(89.0)	8.4%
Goodwill & Intangibles	259.7	257.1	1.0%
Property, plant & equipment	20.0	16.5	21.3%
Right of use assets	19.7	-	-
Lease liabilities	(21.3)	-	-
Other assets/liabilities	(1.6)	(2.5)	(38.7%)
Net assets	**175.2**	**173.4**	**1.1%**
Capital Metrics	31 Dec 19	30 Jun 19	+/-
Net Debt ($m)	**91.5**	**84.7**	**6.8**
Leverage Ratio (Net Debt / EBITDA)	2.55x	2.24x	0.3x
Interest Cover (EBITDA / Interest)	9.5	10.6	(1.1)
Net Debt to Equity Ratio	52.2%	48.8%	3.3%
Return on Equity	9.2%	12.0%	(2.8%)
Return on Assets	5.7%	7.2%	(1.5%)

[1] Borrowings excludes capitalised borrowing costs.

The Group's capital structure is largely consistent with 30 June 2019 with net debt to equity 52.2% compared to 48.8%. After generation of operating cash flow after tax, net debt increased by $6.8m to $91.5m primarily due to $2.4m for the acquisition of Fertility Solutions, FY19 final dividend payment, capex and interest payments during the period.

The maturity date of the Group's existing $110m Syndicated Debt Facility and $5m working capital facility is January 2022. In addition the $40m Accordion Facility remains in place for permitted acquisitions and capital expenditure. The Group has sufficient headroom in banking covenant ratios including leverage ratio of 2.55x (<3.50) and interest cover ratio of 9.5x (>3.0).

AASB16 *Leases* had the following impact on adoption effective 1 July 2019:

- Increase Assets by $21.4m for Right-of-use assets.
- Increase Deferred Tax Assets by $0.6m.
- Increase Liabilities by $23.3m for Lease Liabilities.

Statement of Cash Flows

Cash Flows ($m)	1H20	1H19	Change%
EBITDA	**18.2**	**18.7**	**(2.7%)**
Movement in working capital	(4.0)	0.1	-
Income taxes paid	(3.4)	(3.0)	13.3%
Net operating cash flows (post-tax)	**10.8**	**15.8**	**(31.6%)**
Capital expenditure	(3.8)	(1.9)	100.3%
Payments for businesses	(2.4)	-	-
Cash flows used in investing activities	**(6.2)**	**(1.9)**	**226.3%**
Free cash flow[1]	**4.6**	**13.9**	**(66.9%)**
Dividends paid	(7.1)	(6.1)	16.4%
Interest on borrowings	(1.9)	(1.7)	11.8%
Payments of lease liabilities	(3.0)	-	-
Proceeds/(Repayment) of borrowings	7.5	(5.4)	(238.9%)
Proceeds from non controlling interest	0.6	-	-
Cash flows used in financing activities	**(3.9)**	**(13.2)**	**(70.5%)**
Net cash flow movement	**0.7**	**0.7**	-
Closing cash balance	**5.0**	**4.6**	**8.7%**

(1) Free cash flow is a non-IFRS measure used by the Group as a key indicator of cash generated from operating and investing activities and is not subject to audit or review. Calculated as Net cash flow generated from operating activities less Net cash flows used in investing activities.

Key cash flow comments are as follows:

- Investment initiatives during the period included $2.4m Fertility Solutions acquisition (including transaction costs) and $3.8m for medical equipment, commencement of new Sydney clinic, Penrith clinic, refurbishment of Dulwich clinic and IT infrastructure including cyber security;
- Net operating cash flows (pre-tax) declined by $4.6m or 24.3% due to timing of working capital payments;
- Financing activities include $7.1m fully franked final FY19 dividends paid and $7.5m debt draw downs (net).
- AASB16 Lease impact reduces cash flow from financing activities by $3.0m and increases Operating cash flows by $3.0m.

Dividends

On 21 February 2020, the Board declared a fully franked interim dividend of 2.1 cents per share. The record date for the dividend is 6 March 2020 and the payment date for the dividend is 3 April 2020.

Outlook

The Company wishes to re-confirm profit guidance provided in November 2019 as follows:

We anticipate FY20 NPAT before non-regular items for the year ended 30 June 2020 will be in the range of $18.0m to $19.0m.

Non-regular items are expected to include transaction costs associated with acquisition activity, restructuring costs applicable to our cost reduction program, pre-IPO disputed patient claim and start-up costs associated with opening of the new Sydney CBD fertility clinic expected in Q4FY20.

The Group remains well positioned to optimise future earnings through strategic and operational momentum gained during the 2019 calendar year.

Events occurring after the balance sheet date

On 21 February 2020, a fully franked interim dividend of 2.1 cents per share was declared. The record date for the dividend is 6 March 2020 and the payment date for the dividend is 3 April 2020.

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

Environmental regulations

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

Likely developments

The Group remains committed, prudent and focused on profitably growing the business through leveraging its scientific capabilities and scale across the clinic network both domestically and internationally.

Indemnification and insurance of officers and auditors

Since the end of the previous financial period, the Group has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Group.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 8 and forms part of the directors' report for the period ended 31 December 2019.

Rounding of amounts

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

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

Mr Richard Davis	**Mr Michael Knaap**
Chairman	***Chief Executive Officer and Managing Director***

Melbourne
21 February 2020

KPMG

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 review of Monash IVF Group Limited for the half-year ended 31 December 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
21 February 2020

Condensed Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

for the half year ended 31 December 2019

	Note	Consolidated 31 December 2019 $'000	2018* $'000
Revenue from services		**77,047**	**77,172**
Operating expenses			
Employee benefits expense		(26,348)	(24,140)
Clinician fees		(13,259)	(13,133)
Raw materials and consumables used		(8,077)	(7,922)
IT and communications expense		(1,399)	(1,456)
Depreciation and amortization expense		(5,101)	(2,519)
Property expense		(1,987)	(4,771)
Marketing and advertising expense		(3,145)	(2,620)
Professional and other fees		(2,606)	(1,603)
Other expenses		(2,009)	(2,205)
Mosman clinic closure and CEO separation costs		-	(1,455)
Operating profit		**13,116**	**15,348**
Net finance costs	**6**	**(2,064)**	**(1,889)**
Profit before tax		**11,052**	**13,459**
Income tax expense		(2,982)	(3,822)
Profit for the period		**8,070**	**9,637**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		190	(90)
Tax on cash flow hedges		(57)	27
Exchange difference on translation of foreign operations		21	11
Other comprehensive income/(loss) for the period, net of tax		**154**	**(52)**
Total comprehensive income for the period		**8,224**	**9,585**
Profit attributable to:			
Owners of the Company		8,157	9,669
Non-controlling interests		(87)	(32)
Profit for the period		**8,070**	**9,637**
Total comprehensive income attributable to:			
Owners of the Company		8,311	9,617
Non-controlling interests		(87)	(32)
Total comprehensive income for the period		**8,224**	**9,585**
Earnings per share			
Basic earnings per share (cents)		3.5	4.1
Diluted earnings per share (cents)		3.5	4.1

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

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

Condensed Consolidated Statement Of Financial Position
As at 31 December 2019

	Note	Consolidated 31 December 2019 $'000	30 June 2019* $'000
Current assets			
Cash and cash equivalents		4,992	4,281
Trade and other receivables		4,541	3,296
Current tax assets		1,087	638
Inventory		3,972	3,983
Other assets		4,973	3,335
Total current assets		**19,565**	**15,533**
Non current assets			
Equity accounted investment		393	763
Trade and other receivables		221	114
Plant and equipment		20,013	16,523
Right of use assets	2	19,724	-
Intangible assets		259,659	257,104
Total non current assets		**300,010**	**274,504**
Total assets		**319,575**	**290,037**
Current liabilities			
Trade and other payables		12,394	15,460
Lease liabilities		2,231	-
Derivative financial instruments		10	171
Contingent consideration		450	-
Employee benefits		9,266	8,572
Total current liabilities		**24,351**	**24,203**
Non current liabilities			
Borrowings		96,005	88,349
Lease liabilities		19,096	-
Derivative financial instruments		852	942
Contingent consideration		1,350	-
Employee benefits		798	920
Deferred tax liability		1,875	2,189
Total non current liabilities		**119,976**	**92,400**
Total liabilities		**144,327**	**116,603**
Net assets		**175,248**	**173,434**
Equity			
Share capital		428,757	428,757
Reserves		(137,223)	(137,484)
Profits reserve		43,917	42,834
Retained earnings		(162,195)	(160,892)
Total equity attributable to Owners of the Company		**173,256**	**173,215**
Non-controlling interests		1,992	219
Total equity		**175,248**	**173,434**

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

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

Condensed Consolidated Statement Of Changes In Equity

for the half year ended 31 December 2019

	Contributed equity	Other equity reserve (1)	Profits reserve (2)	Retained earnings	Other reserves (3)	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated balance at 30 June 2018*	**428,347**	**(136,811)**	**36,174**	**(160,892)**	**(224)**	**166,594**	**264**	**166,858**
Profit/(loss) for the period	-	-	9,669	-	-	**9,669**	(32)	**9,637**
Total other comprehensive income/(loss)	-	-	-	-	(52)	**(52)**	-	**(52)**
Total other comprehensive income for the period	**-**	**-**	**9,669**	**-**	**(52)**	**9,617**	**(32)**	**9,585**
Transactions with owners in their capacity as owners directly in equity								
Issue of ordinary shares	222	-	-	-	-	**222**	-	**222**
Share-based payment transactions	-	-	-	-	7	**7**	-	**7**
Dividends paid	-	-	(6,125)	-	-	**(6,125)**	-	**(6,125)**
Consolidated balance at 31 December 2018	**428,569**	**(136,811)**	**39,718**	**(160,892)**	**(269)**	**170,315**	**232**	**170,547**
Consolidated balance at 30 June 2019	**428,757**	**(136,811)**	**42,834**	**(160,892)**	**(673)**	**173,215**	**219**	**173,434**
Adjustment on initial application of AASB 16 (net of tax)	-	-	-	(1,303)	-	**(1,303)**	-	**(1,303)**
Adjusted balance at 1 July 2019	**428,757**	**(136,811)**	**42,834**	**(162,195)**	**(673)**	**171,912**	**219**	**172,131**
Profit/(loss) for the period	-	-	8,157	-	-	**8,157**	(87)	**8,070**
Total other comprehensive income/(loss)	-	-	-	-	154	**154**	-	**154**
Total other comprehensive income for the period	**-**	**-**	**8,157**	**-**	**154**	**8,311**	**(87)**	**8,224**
Transactions with owners in their capacity as owners directly in equity								
Non-controlling interest change	-	-	-	-	-	**-**	1,860	**1,860**
Share-based payment transactions	-	-	-	-	107	**107**	-	**107**
Dividends paid	-	-	(7,074)	-	-	**(7,074)**	-	**(7,074)**
Consolidated balance at 31 December 2019	**428,757**	**(136,811)**	**43,917**	**(162,195)**	**(412)**	**173,256**	**1,992**	**175,248**

(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 distribution as dividends in future periods.

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

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

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

Condensed Consolidated Statement Of Cash Flows
for the half year ended 31 December 2019

		Consolidated 31 December	
		2019	2018*
	Note	$'000	$'000
Cash flows from operating activities			
Receipts from customers		75,254	76,128
Payments to suppliers and employees		(61,020)	(57,315)
Cash generated from operations		**14,234**	**18,813**
Income taxes paid		(3,445)	(3,033)
Net cash flows from operating activities		**10,789**	**15,780**
Cash flows from investing activities			
Payment for plant and equipment and intangible assets		(3,721)	(1,858)
Payments for business acquisitions (including transactions costs)	8	(2,453)	-
Net cash flows used in investing activities		**(6,174)**	**(1,858)**
Cash flows from financing activities			
Proceeds/(Repayment) of borrowings		7,500	(5,330)
Net interest paid on borrowings		(1,944)	(1,732)
Payments of lease liabilities		(3,057)	-
Dividends paid		(7,074)	(6,125)
Proceeds from non-controlling interest		650	-
Receipt of loans receivable		-	5
Net cash flows used in financing activities		**(3,925)**	**(13,182)**
Net movement in cash		**690**	**740**
Cash and cash equivalents at the beginning of the period		**4,281**	**3,853**
Effects of exchange rate changes on foreign currency cash		21	11
Cash and cash equivalents at the end of the period		**4,992**	**4,604**

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

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

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

1. Reporting entity

Monash IVF Group Limited (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 (ASX: MVF). These condensed consolidated interim financial statements as at and for the half-year ended 31 December 2019 comprises the Company and its subsidiaries (collectively referred to as the 'Group').

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2019 are available on the Company's website: www.monashivfgroup.com.au and upon request from the Company's registered office at Level 1, 21-31 Goodwood Street, Richmond, Victoria.

2. Basis of accounting

This condensed consolidated interim financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*, the Corporations Act 2001 and IAS 34 *Interim Financial Reporting*.

This condensed consolidated interim financial report does not include all notes of the type normally included within the annual financial report and accordingly should be read in conjunction with the annual financial report for the year ended 30 June 2019 and considered with any public announcements made by the company during the half year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

These interim financial statements were authorised for issue by the Board of Directors on 21 February 2020.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of new and amended standards as set out below.

Changes in significant accounting policies

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

AASB 16 *Leases*

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee, effectively treating all leases as finance leases. This will effectively move all off-balance sheet operating leases onto the balance sheet. In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

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

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

AASB 16 *Leases* *(Continued)*

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

On 1 July 2019	
Right of use assets	21,392
Lease liabilities	(23,254)
Deferred tax asset	559
Retained earnings	1,303

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

Operating lease commitment as disclosed at 30 June 2019	14,073
Discounted using the incremental borrowing rate at 1 July 2019	(2,159)
Lease liabilities recognised as at 30 June 2019	**11,914**
Recognition exemption for leases of low-value assets	-
Recognition for leases with less than 12 months of lease term at transition	-
Extension options reasonably certain to be exercised	11,340
Lease liabilities recognised at 1 July 2019	**23,254**

In relation to the leases under AASB 16, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the six months ended 31 December 2019, the Group recognized:

Depreciation expense	2,460
Interest expense	337

Accounting policy

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

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the lease liabilities and right-of-use assets recognised.

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

In November 2019, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, Lease Term and Useful Life of Leasehold Improvements, on how lease term of a cancellable or renewable lease should be determined for both the lessor and lessee when applying AASB 16 *Leases*. IFRIC clarifies that the broader economics and not only the contractual termination payments should be considered in determining lease terms. The adoption of this clarification may increase ROUA and lease liabilities in the Statement of Financial Position as well as an increase in depreciation and interest expense in the Statement of Comprehensive Income.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

AASB 16 *Leases* ***(Continued)***

The Group has not adopted this IFRIC Agenda Decision as at 31 December 2019. The impact of the change is not reasonably estimable as the Group has yet to complete its assessment of the impact of the IFRIC Agenda Decision. The Group expects to adopt this Agenda Decision in its annual financial statements ending on 30 June 2020.

Going concern

As at 31 December 2019, the Group has a net current asset deficiency of $4,785,000 (30 June 2019: $8,670,000). The Directors consider that there are reasonable grounds to believe the Group will be able to pay its debts as and when they fall due based on forecast operating cash flows which indicate that cash reserves are sufficient to fund 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.

3. Use of estimates and judgements

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2019, except for the application of AASB 16 *Leases* from 1 July 2019.

AASB 16 *Leases* Critical Judgements

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or remain in a leased location that has entered holdover. Extension options and holder over leases are only included in the lease term if the lease is reasonably certain to be extended. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if the rate cannot be readily determined, the Group’s incremental borrowing rate.

4. Seasonality of operations

The Group’s operating segments are not materially subject to seasonality factors that may result in fluctuations in revenues and profitability between 1 July to 31 December and 1 January to 30 June in each period.

Notes to the Condensed Consolidated Financial Statements
for the half year ended 31 December 2019

5. Segment reporting

31 December 2019	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total $'000
Total Revenue - external	**71,333**	**5,714**	**77,047**
Adjusted EBIT [1][2][3]	**11,725**	**2,445**	**14,170**
Acquisition costs[1]	(433)	-	(433)
Restructuring costs[1]	(493)	-	(493)
Provision for patient claim[1]	(728)	-	(728)
Adjustment for AASB 16 Leases[2]	316	21	337
Adjustment for differences on profile of leases[3]	263	-	263
Reported EBIT	**10,650**	**2,466**	**13,116**
Net finance costs	(2,043)	(21)	(2,064)
Profit before income tax expense	**8,607**	**2,445**	**11,052**
Income tax expense	(2,417)	(565)	(2,982)
Profit for the period	**6,190**	**1,880**	**8,070**
Depreciation and amortisation expense	(4,758)	(343)	(5,101)
Segment assets	**312,530**	**7,045**	**319,575**
Acquisition of plant and equipment and intangibles	3,566	155	3,721
Segment liabilities	**(143,835)**	**(492)**	**(144,327)**

31 December 2018*	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total $'000
Total Revenue - external	**71,636**	**5,536**	**77,172**
Adjusted EBIT before non-regular items[4]	**14,451**	**2,352**	**16,803**
Mosman clinic closure and CEO separation costs[4]	(1,455)	-	(1,455)
Reported EBIT	**12,996**	**2,352**	**15,348**
Net finance costs	(1,889)	-	(1,889)
Profit before income tax expense	**11,107**	**2,352**	**13,459**
Income tax expense	(3,270)	(552)	(3,822)
Profit for the period	**7,837**	**1,800**	**9,637**
Depreciation and amortisation expense	(3,267)	(134)	(3,401)
Segment assets	**279,941**	**8,419**	**288,360**
Acquisition of plant and equipment and intangibles	1,757	101	1,858
Segment liabilities	**(117,040)**	**(773)**	**(117,813)**

(1) Non-regular items include transaction costs on acquisition activity including Fertility Solutions ($433,000 pre-tax), restructuring costs ($493,000 pre-tax) and provision for patient claim ($728,000 pre-tax).
(2) AASB 16 Leases accounting changes effective 1 July 2019 on interest expense of lease liability ($337,000 pre-tax).
(3) Differences on profile of leases adjustment ($263,000) being the differences between rent payment and the AASB 16 Leases accounting being the depreciation of the right of use assets and the interest expense on lease liability.
(4) 1H19 one-off non recurring items include Mosman clinic closure asset accelerated depreciation ($882,000), Mosman clinic make-good provision ($100,000) and CEO separation costs ($473,000).

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

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

6. Expenses

Consolidated 31 December	2019 $'000	2018 $'000
Net finance costs		
Interest expense	1,580	1,821
Amortisation of borrowing costs	156	72
Unwind of the discount on leases	337	-
Less interest revenue	(9)	(4)
Net finance costs	2,064	1,889

Tax expense

The Group's consolidated effective tax rate in respect of continuing operations for the period ended 31 December 2019 was 27.1% (31 December 2018: 28.4%). The 31 December 2019 tax rate is consistent with the tax rates applicable in each jurisdiction the Group operates in.

7. Dividends

Dividends paid during the half year	Franking	Payment Date	Per share (cents)	2019 $'000	2018 $'000
Final dividend in respect of the 2019 financial year	Fully franked	11 October 2019 (2019: 12 October 2018)	3.0 (2019: 2.6)	7,074	6,125
Paid in cash				**7,074**	**6,125**

Dividends not recognized at half year end

In addition to the above dividends, since 31 December 2019, the Directors have approved a fully franked interim dividend of 2.1 cents per fully paid share which is payable on 3 April 2020 with a record date of 6 March 2020.

The aggregate amount of the proposed dividend expected to be paid out of retained profits at 31 December 2019, but not recognized as a liability at half year end:	**4,951**

There is no dividend reinvestment plan in place.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

8. Acquisitions and disposals

Acquisition of Fertility Solutions

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

In this half-year financial report, Fertility Solutions contributed $0.8m of revenue and net profit before tax of $0.2m to the consolidated results. If the acquisition had occurred on 1 July 2019, Management estimated that consolidated revenue would have been $1.4m and consolidated profit before tax for the period would have been $0.3m. In determining these amounts, management assumed that the fair value adjustments, determined provisionally would have been the same if the acquisition had occurred on 1 July 2019.

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

Consideration	**$'000**
Cash	2,100
Contingent consideration	
Current	450
Non Current	1,350
Total contingent consideration	1,800
Total consideration	**3,900**
Identifiable assets acquired and liabilities assumed	
Prepayments	28
Plant and equipment	943
Inventory	88
Trade and other payables	(325)
Employee entitlements	(199)
Total identifiable net assets	**535**
Total consideration	3,900
less Fair value of identifiable assets	(535)
Provisional Goodwill	**3,365**

The Group incurred acquisition related costs of $0.4m relating to external legal fees, due diligence and stamp duty costs. These costs are included in 'professional and other fees' in the Group's statement of profit or loss and other comprehensive income.

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

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

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

8. Acquisitions and disposals (continued)

Accounting policy for business combinations

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

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

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

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

Hobart IVF Pty Ltd Ownership Interest % change (Refer to Note 9)

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

9. Investments accounted for using the equity method

Name	Principal Activity	Ownership Interest %		Share of Net Profit $'000	
		2019	2018	2019	2018
Compass Fertility	Fertility Services	25%	25%	65	56
Hobart IVF Pty Ltd ("trading as Fertility Tasmania")	Fertility Services	-	47.3%	-	8

*Refer to Note 8.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

10. Share capital and Earnings per share

Share Capital	Number of shares issued	$'000
Opening balance at 1 July 2018	235,395,438	428,347
Shares issued	185,505	222
Closing balance at 31 December 2018	**235,580,943**	**428,569**
Opening balance at 1 July 2019	235,785,884	428,757
Closing balance at 31 December 2019	**235,785,884**	**428,757**

Earnings per share (cents)	Consolidated 31 December 2019	Consolidated 31 December 2018
Basic earnings per share	3.5	4.1
Diluted earnings per share	3.5	4.1

Profit attributable to ordinary shareholders	2019 $'000	2018 $'000
Profit after income tax attributable to the ordinary shareholders used in calculating basic and diluted earnings per share	8,157	9,669

Weighted average number of shares (basic)	2019 Number	2018 Number
Weighted average number of ordinary shares at 31 December	**235,785,884**	**235,580,943**
Adjustments for calculation of diluted earnings per share	774,262	342,100
Weighted average number of ordinary shares (diluted) at 31 Decembe	**236,560,146**	**235,923,043**

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.

11. Financial instruments

Carrying amounts and fair value

Valuation methodology of financial instruments

For financial instruments measured and carried at fair value, the Group uses the following to categorise the method used:

- Level 1: fair value is calculated using quoted prices in active markets;
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

All of the Group's financial instruments carried at fair value were valued using market observable inputs. For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1, Level 2 and Level 3 during the period. There were no Level 3 financial instruments held at 31 December 2019.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

Fair values
The carrying amounts and estimated fair values of all the Group's financial instruments including interest rate swaps and borrowings, recognised in the financial statements are materially the same. The valuation category, methods and assumptions used to estimate the fair value of financial instruments are as follows:

Level 1
Cash
The carrying amount is fair value due to the asset's liquid nature.

Receivables/payables
Due to the short-term nature of these financial rights and obligations, carrying amounts are estimated to represent fair values.

Interest-bearing loans and borrowings
The carrying amount approximates fair value given these are floating rate borrowings where quoted price of an identical instrument is available and transacted at arm's length.

Level 2
Derivatives
The fair values of interest rate swaps are $862,000 (30 June 2019: $1,113,000) calculated at the present value of estimated future cash flows using a market based yield curve sourced from available market data quoted for all major currencies.

Financial risk factors
The Group's activities expose its financial instruments to a variety of market risks. The interim financial report does not include all risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial report for the year ended 30 June 2019. There have been no significant changes in risk management factors or policies since 30 June 2019.

12. Events occurring after the balance sheet date

On 21 February 2020, a fully franked interim dividend of 2.1 cents per share was declared. The record date for the dividend is 6 March 2020 and the payment date for the dividend is 3 April 2020.

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

In the opinion of the directors of Monash IVF Group Limited (the "Company"):

1. The condensed consolidated financial statements and notes that are set out on pages 13 to 21 are in accordance with the Corporations Act 2001 including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the six month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. This declaration has been made after receiving the declaration made to the directors for the half year ended 31 December 2019 in accordance with the 3rd edition of the ASX Corporate Governance Principles & Recommendations.

Signed in accordance with a resolution of directors:

Mr Richard Davis
Chairman

Mr Michael Knaap
Chief Executive Officer and Managing Director

21 February 2020
Melbourne

Independent Auditor's Review Report

To the members of Monash IVF Group Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Monash IVF Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Monash IVF Group Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2019 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Condensed Consolidated statement of financial position as at 31 December 2019
- Condensed Consolidated statement of profit or loss and other comprehensive income , Condensed Consolidated statement of changes in equity and Condensed Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Monash IVF Group Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

KPMG

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Monash IVF Group Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
21 February 2020