Listing Rule 4.2A.3

Appendix 4D
Half year report

Name of entity

Monash IVF Group Limited

ABN or equivalent company reference: ACN 169 302 309

1. Reporting period

Report for the half year ended	31 December 2018
Previous corresponding period is the half year ended	31 December 2017

2. Results for announcement to the market

				A$'000
Revenue from ordinary activities *(item 2.1)*	up	0.3%	to	77,172
Earnings before interest, tax, depreciation & amortisation (EBITDA)(1)	down	9.8%	to	18,749
Earnings before interest, tax, depreciation & amortisation (EBITDA)(1) *(before one-off non-recurring items)*(2)	down	7.0%	to	19,322
Earnings before interest and tax (EBIT)	down	16.5%	to	15,348
Net profit (loss) from ordinary activities after tax attributable to members *(Item 2.2 & 2.3)*	down	19.8%	to	9,669
Net profit (loss) from ordinary activities after tax attributable to members *(before one-off non-recurring items)*(3)	down	11.3%	To	10,688

(1) EBITDA is a non-IFRS measure which is used by the group as a key indicator of financial performance
(2) One-off non-recurring items include Mosman clinic make-good provision ($100,000 pre-tax) and CEO separation costs ($473,000 pre-tax)
(3) One-off non-recurring items include Mosman clinic closure asset accelerated depreciation ($882,000 pre-tax), Mosman clinic make-good provision ($100,000 pre-tax) and CEO separation costs ($473,000 pre-tax)

Dividends (*item 2.4*)	Date paid / payable (*item 5*)	Amount per security	Franked amount per security
Interim dividend			
Current reporting period	5 APR 2019	3.00¢	3.00¢
Previous corresponding period	6 APR 2018	3.40¢	3.40¢
Final dividend			
Previous corresponding period	12 OCT 2018	2.60¢	2.60¢
Record date for determining entitlements to the interim dividend (*item 2.5*):		8 March 2019	

Brief explanation (*item 2.6*): 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.

3. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing (per share)	($0.36)	($0.38)
Net asset backing (per share)	$0.72	$0.70

4. Details of entities over which control has been gained or lost

Not Applicable

5. Total dividend on all securities paid or payable in period

	Current period $A'000	Previous corresponding period - $A'000
FY18 Final Dividend Paid (paid 12/10/18)	$6,125	-
FY17 Final Dividend Paid (paid 13/10/17)	-	$10,593
Total dividends paid in period	$6,125	$10,593

6. There is currently no dividend reinvestment plan in place

7. Share of net profit/(loss) after tax from associates

Associate	% of holdings	Share of profit/(loss) - $A'000
Compass Fertility Trust ("trading as Compass Fertility")	25.0%	$56
Hobart IVF Pty Ltd ("trading as Fertility Tasmania")	47.3%	$8

8. Foreign Entities accounting standards

Not Applicable.

9. Audit of the financial report

The financial report has been subject to a half year audit review by KPMG and no review dispute or qualification is contained in the attached independent review report for the half year ended 31 December 2018.

Monash IVF Group Limited

ACN 169 302 309

Interim Financial Report

31 December 2018

Content

The Directors present their report together with the consolidated financial report of Monash IVF Group Ltd ('the Group'), being the Company (Monash IVF Group Ltd), its subsidiaries, and the Group's interest in associated entities as at and for the six months ended 31 December 2018, 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:

Directors
Mr Richard Davis
Ms Christina Boyce
Mr Neil Broekhuizen
Mr Josef Czyzewski
Dr Richard Henshaw
Ms Zita Peach
Mr David Morris (resigned effective 8 October 2018)

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 have a healthy baby. In addition, the Group is a significant provider of specialist women's imaging services.

Operational and Financial Review

The Group reported a decline of 19.8% in statutory net profit after tax (NPAT) and before non-controlling interests to $9.7m whilst Group revenues were in line with pcp at $77.2m for the six month period ended 31 December 2018 (1H19). NPAT, before one-off non-recurring items related to the Mosman Clinic closure and CEO separation costs[6], declined by 11.3% to $10.7m compared to pcp.

$m	1H19	1H18	% Change
Group Revenue	$77.2	$77.0	0.3%
EBITDA[(1)(2)]	$18.7	$20.8	(9.8%)
EBITDA before one-off items[(5)]	$19.3	$20.8	(7.0%)
EBIT	$15.3	$18.4	(16.5%)
NPAT attributable to ordinary shareholders	$9.7	$12.1	(19.8%)
NPAT before one-off items[(6)]	$10.7	$12.1	(11.3%)
EPS (cents)	4.10	5.12	
DPS (cents)	3.0	3.4	
	31 Dec 18	30 Jun 18	
Net Debt (m)	$88.4	$94.1	
Net Debt to Equity ratio [(3)]	51.9%	56.4%	
Return on Equity (pa.) [(4)]	11.9%	12.8%	

(1) EBITDA is earnings before interest, tax, depreciation and amortisation.
(2) EBITDA is a non IFRS measure which is used by the Group as a key indicator of performance. This and any other non IFRS measure is not subject to audit or review.
(3) Net Debt to Equity is calculated using Net Debt divided by equity as at 31 December 2018.
(4) Return on Equity is calculated using NPAT (excluding one-off items) for the previous 12 month period divided by the average equity in the same period.
(5) EBITDA adjusted for one-off items (as advised at the November AGM) including Mosman clinic closure make-good provision ($100k pre-tax) and CEO separation costs ($473k pre-tax)
(6) NPAT attributable to ordinary shareholders adjusted for one-off items (as advised at the November AGM) including Mosman clinic closure accelerated depreciation ($882k pre-tax), make-good provision ($100k pre-tax) and CEO separation costs ($473k pre-tax)

Overview of the period

- NPAT exceeded guidance provided at the AGM, 11.3% below pcp before one-off non-recurring items
- Premium Service Business Stimulated Cycles grew by 7.0% excluding impact from departed Specialist (15.6% combined growth in NSW, QLD and SA)
- ARS International growth continues as Stimulated Cycles grew by 25.4% on pcp
- Operating Priorities are ahead of plan and beginning to deliver sustainable growth in the future
- 1H19 Financial Result was impacted by Q1 volume decline compared to pcp due to departure of a Fertility Specialist in September 2017
- Long-term funding secured as the Syndicated Debt Facility is extended to January 2022
- Strong pre-tax cash conversion of EBITDA to operating cash flows of 100.3% compared to 85.0% in pcp
- Continue to focus on our Premium Service strategic growth intent
- FY19 profit guidance re-confirmed to return to full year NPAT growth excluding one-off non-recurring items
- CEO recruitment process is well advanced with appointment expected by end of this Financial Year

Operating Priorities have progressed

During the period, there has been strong progression in delivering on our Operating Priorities. Whilst earnings during the period is below pcp, the execution of several operational improvements are progressing to deliver sustainable growth in the future. These include:

Scientific Leadership

- **Non-invasive pre-implantation genetic screening (NIPGS)** developed, tested and patented. Technology will become available to all Monash IVF Group clinics this financial year
- **Creation of Group Scientific Advisory Committee** which is fast tracking greater collaboration and standardisation of practices and protocols ("The Monash Way") across the Monash IVF Group
- **Entered into new collaborative partnerships** including artificial intelligence capability with Life Whisperer and sperm selection device with Memphasys whilst continuing to build a strong R&D pipeline

Clinical Excellence

- **Investment into facilities** including refurbishment of the Clayton Fertility clinic, additional space at the Gold Coast Fertility clinic catering for growth, and new consulting locations broadening our reach
- **Seven new Fertility Specialists** recruited in FY18 have contributed to strong growth achieved in SA and NSW and also supports succession planning. Attraction of new specialists is on-going with three Specialists recently recruited and a positive new specialist pipeline
- **IT and Telephony infrastructure upgrades** enabling increased network efficiency and stability supporting our wide spread clinic network and improving quality of communications with our Patients
- **Fixed cost base reduced** from closure of under-performing Mosman (Sydney) Clinic in November with Patients transitioned successfully to the Bondi Junction clinic

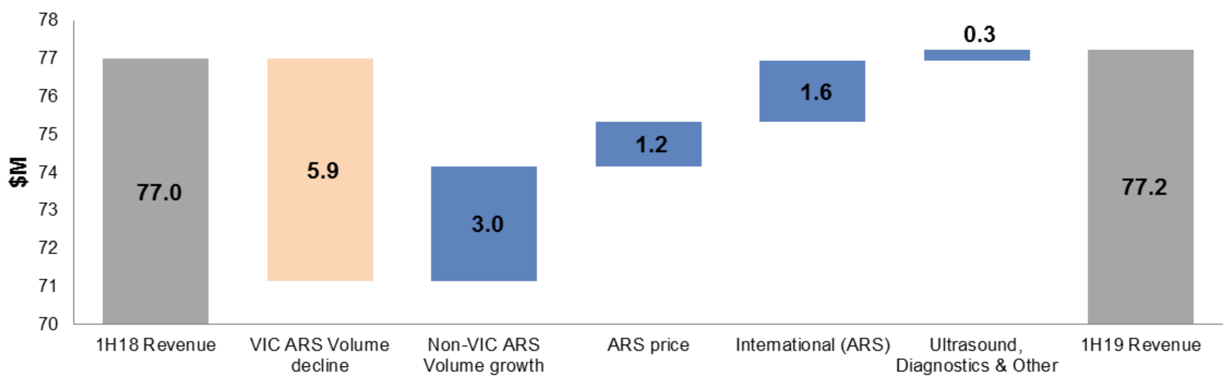
Operating Priorities have progressed *(continued)*

Patient Experience

- **Utilisation of Net Promoter System (NPS)** is driving action to improve our Patients' experience with Monash IVF. NPS measures have improved in the first half
- **Patient Experience review** continues across our network including introduction of a new Nurse Model of Care and reduction in in-effective touch points during the patient journey improving our service delivery
- **Better patient funding** solutions to increase access to treatment

Revenue

Group revenue increased by $0.2m or 0.3% to $77.2m compared to pcp. Strong Stimulated Cycle growth achieved in NSW, QLD, SA and Malaysia, has mitigated the impact of the departure of a Specialist in Victoria in September 2017. A summary of the movement in revenues is detailed in the waterfall chart below:



The following details key movements in revenue:

- **VIC ARS Volume decline:** $5.9m revenue decline from departure of a Specialist in September 2017, having an impact on first half comparatives to pcp.
- **Non-VIC ARS Volume growth:** $3.0m revenue increase from Stimulated Cycle growth in NSW, QLD and SA. 15.6% Stimulated Cycle growth in these markets combined.
- **ARS price:** $1.2m revenue increase from price increases of 2-3% across all ARS service offerings.
- **International (ARS):** $1.6m revenue increase from our Malaysian clinic as Stimulated Cycles increased by 25.4% as compared to pcp.
- **Ultrasound, Diagnostics & Other:** $0.3m revenue increase derived from increased Day Surgery income at the Adelaide day surgery unit commensurate to fertility activity growth experienced in the SA market.

Patient Treatments

IVF Treatment numbers	1H19	1H18	% Change
Monash IVF Group – Australia			
Stimulated cycles	3,932	4,078	(3.6%)
Cancelled cycles	366	404	(9.4%)
Frozen embryo transfers	2,834	3,184	(11.0%)
Total Australia Patient Treatments	**7,132**	**7,666**	**(7.0%)**
Monash IVF Group – International			
Stimulated cycles	518	413	25.4%
Cancelled cycles	35	34	2.9%
Frozen embryo transfers	480	334	43.7%
Total International Patient Treatments	**1,033**	**781**	**32.3%**
Total Monash Group			
Stimulated cycles	4,450	4,491	(0.9%)
Cancelled cycles	401	438	(8.4%)
Frozen embryo transfers	3,314	3,518	(5.8%)
Total Group Patient Treatments	**8,165**	**8,447**	**(3.3%)**
Stimulated cycles as a % of Total Patient Treatments	54.5%	53.2%	1.3%
Other Treatment numbers	**1H19**	**1H18**	**% Change**
Ultrasound Scans	38,633	38,097	1.4%
Pre-implantation Genetic Screening/Diagnosis	746	823	(9.4%)
Non Invasive Prenatal Testing (NIPT)	6,536	6,282	4.0%

The Group's Australian Stimulated Cycles declined by 3.6% as strong growth in NSW, QLD and SA was offset by the loss of activity from the departure of a Specialist. Excluding the impact from a departed Specialist, Premium Service Stimulated Cycles increased by 7.0% compared to pcp. The Group's Australian Frozen Embryo Transfers declined by 11%, a greater rate than Stimulated Cycles due to the impact from Stimulated Cycle declines in pcp. Cancelled cycles have declined at a greater rate than Stimulated Cycles as a result of more effective scientific protocol.

International Stimulated Cycles increased by 25.4% due to greater demand from the introduction of a new Fertility Specialist and greater capacity from the relocation to the Damansara Mall Clinic. Pre-implantation Genetic Screening/Diagnosis (PGS/D) has declined by 9.4% due primarily to the decline in Australian Stimulated Cycles with a stable penetration rate of 19%.

Ultrasound scan volumes grew by 1.4% to 38,633. Sydney Ultrasound for Women scans declined by 3.2% due to greater competitive pressure in NSW and lower obstetric private practice referral activity which is likely due to a shift in volumes to the public sector. The Non-invasive prenatal testing (NIPT) volumes continue to grow after replacing the previously outsourced service during FY17.

Expenditure before interest and tax

The table below provides a summary of 1H19 Expenditure before interest and tax compared to 1H18:

	1H19 $m	1H18 $m	% Change
Employee Expenses	24.1	23.8	1.3%
Clinician Fees	13.1	13.1	0.0%
Raw materials and consumables used	7.9	7.2	9.7%
IT and Communications expense	1.5	1.3	15.4%
Property Expenses	4.8	4.5	6.7%
Marketing and advertising expense	2.6	2.2	18.2%
Professional and other fees	1.6	1.6	0.0%
Other costs	2.2	2.4	(8.3%)
Mosman clinic closure and CEO separation costs	1.5	-	100.0%
Total operating expenditure	**59.3**	**56.1**	**5.7%**
% of Group revenues	76.8%	72.9%	
Depreciation and amortisation	2.5	2.4	4.2%
Total expenditure before interest and tax	**61.8**	**58.5**	**5.6%**
% of Group revenues	80.1%	76.0%	

Total operating expenditure before one-off non-recurring costs (Mosman clinic closure and CEO separation costs as advised at the November AGM) increased by $1.7m or 3.0%. The following details key expenditure movements in 1H19 against 1H18:

- **Employee expense** increased by $0.3m or 1.3%. The increase is due to general wage inflation, partly offset from head count reduction to re-align the Victorian workforce from volume declines;
- **Clinician fees** are in line with PCP. Clinician fees across the majority of the Group are variable to Fertility and Ultrasound activity except for certain jurisdictions whereby remuneration is fixed via salary arrangements and theatre sessional fees which have not declined at the same rate as revenue. Cost of clinician recruitment increased to ensure appropriate succession plans for long-term growth;
- **Raw material and consumables** increased by $0.7m or 9.7%. The increase is primarily due to an increase in day surgery activity and drug income in South Australia and Malaysia from higher Stimulated Cycles in these markets. In addition, in-house non-invasive prenatal testing volumes continue to grow;
- **IT and communication expense** increased by $0.2m or 15.4% due to an increase in maintenance expenditure to support existing IT infrastructure and networks;
- **Property expenses** increased by $0.3m or 6.7% which is primarily due to annual rental increases across the clinic network and higher rent expense at the Kuala Lumpur clinic;
- **Marketing and advertising expense** increased by $0.4m or 18.2% as greater investment was made in targeted marketing activities, including radio, digital and direct inbound enquiry activity;

Expenditure before interest and tax *(continued)*

- **Other costs** decreased by $0.2m or 8.3% due to general cost base reductions including lower equipment maintenance costs and recruitment;
- **Mosman clinic closure and CEO separation costs (as advised at the November AGM)** include $1.0m of accelerated depreciation on leasehold assets retired and make-good at the Mosman clinic which closed in November 2018;
- **Depreciation and amortisation** is $0.1m or 4.2% above pcp due to the period on period impact from investment made in pcp, on primarily patient management system enhancements and new scientific equipment and upgrades.

Net interest expense

Interest expense is $0.2m or 10% above pcp due to an increase in debt margin based on the Net Leverage Ratio and increases in the variable rate during the period.

Taxation

The effective tax rate for 1H19 is 28.4% as compared to 28.3%. This reflects the 30% Australian and 24% Malaysian corporate tax rates as well as capturing the research and development tax incentives as we continue to invest in innovation.

Segment analysis

	Australia			International		
$m	1H19	1H18	% change	1H19	1H18	% change
Revenue	71.64	73.04	(1.9%)	5.54	3.91	41.7%
Statutory EBITDA	16.26	19.17	(15.2%)	2.49	1.62	53.7%
NPAT	7.84	10.79	(27.3%)	1.80	1.17	53.8%

Australia

Australia revenues declined by $1.4m (-1.9%) to $71.6m compared to 1H18 due to the 3.6% decline in Stimulated Cycles in Australia as a result of strong growth in NSW, Qld and SA, which is offset by the volume decline from a Specialist departure in September 2017. In addition, revenue has increased due to price increases and higher day surgery income from the sole day surgery service in SA.

Australia EBITDA declined by $2.9m or 15.2%. Excluding one-off non-recurring items related to the Mosman clinic closure and CEO separation costs, Australia EBITDA declined by 12.0%. EBITDA margin excluding one-off non-recurring items declined by 2.7% to 23.6%. As compared to 2H18 (1 January to 30 June 2018), EBITDA margin has improved from 21.9% to 23.6% due to leverage gained from volume increases in NSW, QLD and SA and cost effective management whilst investing in demand driven marketing and operating priorities.

International

The International segment continues to demonstrate strong growth from demand and the move to the new Kuala Lumpur premise which is providing greater capacity to meet demand. International revenues increased by $1.6m (41.7%) to $5.5m as compared to pcp driven by Stimulated Cycle growth of 25.4% to 518 whilst Frozen Embryo Transfers increased by 43.7% to 480.

International EBITDA increased by 53.7% to $2.5m as a result of volume growth and EBITDA margin improvement of 3.5% to 44.9% as incremental volumes leverage the cost base.

Statement of financial position and Capital Metrics

Balance Sheet ($m)	31 Dec 18 $m	30 Jun 18 $m	% change
Cash and cash equivalents	4.6	3.9	18.0%
Other current assets	11.4	12.8	(10.9%)
Current liabilities	(21.2)	(21.8)	2.8%
Net working capital	(5.2)	(5.1)	(2.0%)
Borrowings	(93.0)	(98.0)	5.1%
Goodwill & Intangibles	256.4	256.1	0.1%
Property Plant & Equipment	15.1	16.9	(10.7%)
Other assets/liabilities	(2.8)	(3.0)	6.7%
Net assets	**170.5**	**166.9**	**2.2%**
Capital Metrics	**31 Dec 18**	**30 Jun 18**	**+/-**
Net Debt ($m)(2)	**88.4**	**94.1**	**(5.7)**
Leverage Ratio (Net Debt / EBITDA)(1)(2)	2.36x	2.46x	(0.10x)
Interest Cover (EBITDA / Interest)(1)	10.4x	11.1x	(0.70x)
Net Debt to Equity Ratio	51.9%	56.4%	(4.5%)
Return on Equity(3)	11.9%	12.8%	(0.9%)
Return on Assets(4)	6.9%	7.3%	(0.4%)

(1) EBITDA is a non IFRS measure which is used by the Group as a key indicator of underlying performance (and excludes one-off items)
(2) Debt, net of cash balance, divided by equity at balance date
(3) NPAT for the previous 12 month period divided by average equity in the same period
(4) NPAT for the previous 12 month period divided by average assets in the same period

The Group's balance sheet is stronger with Net debt to equity improving from 56.4% to 51.9% in the six months to 31 December 2018. Net debt decreased by $5.7m to $88.4m due primarily to strong pre-tax operating cash flows of $18.8m, partly offset by tax, capex and interest payments during the period.

On 21 December 2018, the Group extended the maturity date of its existing $110m Syndicated Debt Facility and $5m working capital facility to January 2022. In addition, the $40m Accordion Facility remains in place for permitted acquisitions and capital expenditure. As at 31 December 2018, the debt balance is $93m.

The Group has sufficient headroom in banking covenant ratios including net leverage ratio of 2.36x (<3.50) and Interest Cover Ratio of 10.4x (>3.0).

Statement of cash flows

	1H19 $m	1H18 $m	Change%
Net operating cash flow (pre-tax)	**18.8**	**17.7**	**6.2%**
Net operating cash flow (post-tax)	**15.8**	**12.5**	**26.4%**
Cash flow from investing activities	(1.9)	(3.0)	36.7%
Cash flow from financing activities	(13.2)	(7.4)	(78.4%)
Net cash flow movement	**0.7**	**2.1**	**(66.7%)**
Effect from FOREX currency cash flow and cash balances	0.1	0.2	
Closing cash balance	**4.6**	**5.8**	**(20.7%)**
Free cash flow[1]	13.9	9.5	46.3%

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

Key cash flow highlights are as follows:

- Net operating cash flows increased by 26.4% to $15.8m;
- Pre-tax cash conversion of EBITDA to operating cash flows was strong at 100.3%, compared to 85.0% in pcp;
- Capital expenditure was $1.9m, a decline of 36.7% due to timing with an increase in capital expenditure planned in H2 including new and refurbished facilities, equipment upgrades and new technology;
- Financing activities of $13.2m include $6.1m fully franked final dividend for FY18 and $5.0m debt repayments;
- Free cash flow increased by $4.4m or 46.3% due to lower payments for dividends, capex and tax compared to pcp.

Dividends

On 25 February 2019, the Board declared a fully franked interim dividend of 3.0 cents per share reflecting a decline of 0.4 cents per share and an 11.8% decline against prior year. The record date for the dividend is 8 March 2019 and the payment date for the dividend is 5 April 2019.

Outlook

We anticipate moderate underlying Full Year FY19 NPAT growth compared to pcp, before $1.0m of one-off non-recurring expenditure, and subject to the ARS market growth at approximately 2% in 1H19, as well as our market share improving compared to pcp.

As a result we anticipate returning to NPAT growth of greater than 15% in 2H19 compared to pcp.

Matters subsequent to the end of the financial year

Other than the dividend declared on 25 February 2019 as noted previously, 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 12 and forms part of the directors' report for the six months ended 31 December 2018.

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

Richard Davis
Chairman

Dated in Melbourne this 25th day of February 2019.

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 2018 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
25 February 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHESIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Consolidated	
	31/12/2018	31/12/2017
	$'000	$'000
Revenue from services	77,172	76,951
Employee benefits expense	(24,140)	(23,835)
Clinician's fees	(13,133)	(13,122)
Raw materials and consumables used	(7,922)	(7,152)
IT and communications expense	(1,456)	(1,300)
Depreciation & amortisation expense	(2,519)	(2,397)
Property expense	(4,771)	(4,471)
Marketing and advertising expense	(2,620)	(2,196)
Professional and other fees	(1,603)	(1,648)
Other expenses	(2,205)	(2,443)
Mosman clinic closure and CEO separation costs [1]	(1,455)	-
Operating Profit	**15,348**	**18,387**
Finance income	4	4
Finance expenses	(1,893)	(1,720)
Net finance costs	**(1,889)**	**(1,716)**
Profit before tax	**13,459**	**16,671**
Income tax expense	(3,822)	(4,717)
Profit for the period	**9,637**	**11,954**
Other comprehensive income / (loss)		
Items that are or may be reclassified subsequently to profit and loss:		
Cash flow hedges	(90)	135
Tax on cash flow hedges	27	(41)
Exchange difference on translation of foreign operations	11	173
Other comprehensive loss for the period, net of tax	**(52)**	**267**
Total comprehensive income for the period	**9,585**	**12,221**
Profit attributable to:		
Owners of the company	9,669	12,053
Non-controlling interests	(32)	(99)
Profit for the period	**9,637**	**11,954**
Total comprehensive income attributable to:		
Owners of the company	9,617	12,320
Non-controlling interests	(32)	(99)
Total comprehensive income for the period	**9,585**	**12,221**
Earnings per share		
Basic earnings per share (cents)	4.10	5.12
Diluted earnings per share (cents)	4.10	5.12

[1] Includes Mosman clinic closure asset accelerated depreciation ($882,000), Mosman make good provision ($100,000) and CEO separation costs ($473,000).

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Consolidated	
	31/12/2018	**30/06/2018**
	$'000	**$'000**
Current assets		
Cash and cash equivalents	4,604	3,853
Trade and other receivables	4,103	4,193
Current tax assets	177	2,040
Other assets	7,164	6,640
Total current assets	**16,048**	**16,726**
Non current assets		
Equity accounted investment	728	754
Trade and other receivables	80	85
Plant and equipment	15,078	16,935
Intangible assets	256,426	256,111
Total non current assets	**272,312**	**273,885**
Total assets	**288,360**	**290,611**
Current liabilities		
Trade and other payables	13,591	14,045
Borrowings	(281)	(134)
Employee benefits	7,959	7,926
Total current liabilities	**21,269**	**21,837**
Non current liabilities		
Borrowings	93,121	98,240
Employee benefits	888	798
Deferred tax liability	2,535	2,878
Total non current liabilities	**96,544**	**101,916**
Total liabilities	**117,813**	**123,753**
Net assets	**170,547**	**166,858**
Equity		
Contributed equity	428,569	428,347
Reserves and others	(137,080)	(137,035)
Profits reserve	39,718	36,174
Retained earnings	(160,892)	(160,892)
Total equity attributed to ordinary shareholders of Monash IVF Group Ltd	**170,315**	**166,594**
Non-controlling Interest	232	264
Total equity	**170,547**	**166,858**

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

Monash IVF Group Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Contributed equity $'000	Other equity reserve[1] $'000	Profits reserve [2] $'000	Retained earnings $'000	Other reserves [3] $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
Consolidated Balance at 30 June 2017	**428,347**	**(136,811)**	**33,418**	**(160,892)**	**(546)**	**163,516**	**-**	**163,516**
Profit for the period	-	-	12,053	-	-	12,053	(99)	11,954
Total other comprehensive income	-	-	-	-	267	267	-	267
Total comprehensive income for the period	**-**	**-**	**12,053**	**-**	**267**	**12,320**	**(99)**	**12,221**
Transactions with owners in their capacity as owners directly in equity								
Issue of ordinary shares in Monash IVF Group Ltd	-	-	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	(12)	(12)	-	(12)
Non controlling interest	-	-	-	-	-	-	341	341
Dividends paid	-	-	(10,593)	-	-	(10,593)	-	(10,593)
Consolidated Balance at 31 December 2017	**428,347**	**(136,811)**	**34,878**	**(160,892)**	**(291)**	**165,231**	**242**	**165,473**
Consolidated Balance at 30 June 2018	**428,347**	**(136,811)**	**36,174**	**(160,892)**	**(224)**	**166,594**	**264**	**166,858**
Profit for the period	-	-	9,669	-	-	9,669	(32)	9,637
Total other comprehensive income	-	-	-	-	(52)	(52)	-	(52)
Total comprehensive income/(loss) 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 in Monash IVF Group Ltd	222	-	-	-	-	222	-	222
Share-based payment transactions	-	-	-	-	7	7	-	7
Non controlling interest	-	-	-	-	-	-	-	-
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**

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

	Consolidated	
	31/12/2018	31/12/2017
	$'000	$'000
Cash flows from operating activities		
Receipts from customers	76,128	75,013
Payments to suppliers and employees	(57,315)	(57,343)
Cash generated from operations	**18,813**	**17,670**
Income tax paid	(3,033)	(5,135)
Net cash flows from operating activities	**15,780**	**12,535**
Cash flows from investing activities		
Payments for plant and equipment	(1,858)	(3,038)
Net cash flows used in investing activities	**(1,858)**	**(3,038)**
Cash flows from financing activities		
Receipt of borrowings	5,500	12,400
Interest received	4	4
Proceeds from non-controlling interest	-	341
Receipt of loans receivable	5	12
Repayment of borrowings	(10,500)	(8,000)
Debt facility refinance cost	(330)	-
Interest paid	(1,736)	(1,551)
Dividends paid	(6,125)	(10,593)
Net cash flows (used in)/provided by financing activities	**(13,182)**	**(7,387)**
Total cash flows from activities	**740**	**2,110**
Cash and cash equivalents at beginning of period	3,853	3,502
Effects of exchange rate changes on foreign currency cash flows and cash balances	11	173
Cash and cash equivalents at end of period	**4,604**	**5,785**

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

1. Reporting entity

Monash IVF Group Ltd (the 'Company') is a for profit company primarily involved in the area of assisted reproductive services and the provision of specialist women's imaging services. The Company is incorporated in Australia and listed on the Australian Stock Exchange. These condensed consolidated interim financial statements as at and for the six months ended 31 December 2018 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 2018 are available upon request from the Company's registered office at Level 1, 21-31 Goodwood Street, Richmond, Victoria and on the Company's website.

2. Basis of accounting

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 Interim Financial Reporting, and the Corporations Act 2001, and with IAS 34 Interim Financial Reporting.

The interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial report.

It is recommended that the interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and considered with any public announcements made by the company during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

This is the first set of the Group's financial statements where AASB 9, Financial Instruments and AASB 15, Revenue from Contracts with Customers have been applied. Changes to significant accounting policies are described in Note 13.

These interim financial statements were authorised for issue by the Board of Directors on 25 February 2019.

Going concern

As at 31 December 2018, the Group has a net current asset deficiency of $5,221,000 (30 June 2018: $5,111,000).

In December 2018, the Group amended and extended the Syndicated Debt Facility, Working Capital Facility and Accordion Facility. The maturity profile of the facilities have been extended to January 2022.

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.

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.

3. Significant accounting policies

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2018, except for changes to significant accounting policies as described in Note 13.

4. 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 2018.

5. 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 year.

6. Operating segments

Information about reportable segments

31/12/2018	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total reportable segments $'000
Revenue			
External revenue	71,636	5,536	77,172
Total Revenue	**71,636**	**5,536**	**77,172**
Total revenue and other income	**71,636**	**5,536**	**77,172**
EBITDA	**16,263**	**2,486**	**18,749**
Depreciation and amortisation expense	(3,267)	(134)	(3,401)
Finance revenue	4	-	4
Finance expense	(1,893)	-	(1,893)
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**
31/12/2018			
Segment assets	279,941	8,419	288,360
Acquisition of plant & equipment and intangibles	1,757	101	1,858
Segment liabilities	(117,040)	(773)	(117,813)

Operating segments *(continued)*

Information about reportable segments *(continued)*

31/12/2017	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total reportable segments $'000
Revenue			
External revenue	73,037	3,914	76,951
Total Revenue	**73,037**	**3,914**	**76,951**
Total revenue and other income	**73,037**	**3,914**	**76,951**
EBITDA	**19,166**	**1,618**	**20,784**
Depreciation and amortisation expense	(2,314)	(83)	(2,397)
Finance revenue	4	-	4
Finance expense	(1,720)	-	(1,720)
Profit before income tax expense	**15,136**	**1,535**	**16,671**
Income tax expense	(4,349)	(368)	(4,717)
Profit for the period	**10,787**	**1,167**	**11,954**
30/06/2018			
Segment assets	281,997	8,614	290,611
Acquisition of plant & equipment and intangibles	6,072	487	6,559
Segment liabilities	(122,988)	(765)	(123,753)

7. Tax expense

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2018 was 28.4% (for the six months ended 31 December 2017: 28.3%). The 31 December 2018 tax rate is consistent with the tax rates applicable in each jurisdiction the Group operates in.

8. Property, plant and equipment and intangible assets

Acquisitions and disposals

During the six months ended 31 December 2018, the Group acquired assets with a cost of $1,858,000 (six months ended 31 December 2017: $3,038,000).

Capital commitments

As at 31 December 2018, the Group has capital commitment for plant and equipment contracted for amounting to $0.6m (as at 31 December 2017: $0.7m).

9. Equity

Movements in ordinary share capital

	Number of shares issued	$'000
Opening balance (1/7/17)	**235,395,438**	**428,347**
Issued in business combination	-	-
Closing balance (30/6/18)	**235,395,438**	**428,347**
Opening balance (1/7/18)	**235,395,438**	**428,347**
Shares issued (1)	185,505	222
Closing balance (31/12/2018)	**235,580,943**	**428,569**

(1) Issue of shares to a consultant under the terms of their consultancy agreement.

Dividends

On 27 August 2018, a fully franked dividend of 2.6 cents per share was declared. The record date for the dividend was 7 September 2018 and the payment date for the dividend was 12 October 2018.

10. Earnings per share

	Consolidated	
	31/12/2018	31/12/2017
Earnings per share	**Cents per share**	**Cents per share**
Basic earnings per share	4.10	5.12
Diluted earnings per share	4.10	5.12
	31/12/2018	**31/12/2017**
Profit attributable to ordinary shareholders	**$'000**	**$'000**
Profit after income tax attributable to the ordinary shareholders used in calculating basic and diluted earnings per share	9,669	12,053
	31/12/2018	**31/12/2017**
Weighted average number of shares (basic)	**Number**	**Number**
Issued ordinary shares at 1 July	235,580,943	235,395,438
Adjustments for calculation of diluted earnings per share	342,100	109,037
Weighted average number of ordinary shares (diluted) at 31 December	**235,923,043**	**235,504,475**

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.

11. Financial Instruments *(continued)*

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 2018.

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

Quoted market prices or dealer quotes for similar instruments are used to value long-term debt instruments.

Level 2

Derivatives

The fair values of interest rate swaps are $600,000 (30 June 2018: $510,000) 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, including interest rate risk. 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 2018. There have been no significant changes in risk management factors or policies since 30 June 2018.

12. Related parties

Parent and ultimate controlling party

The ultimate controlling party of the Group is Monash IVF Group Limited.

Transactions with key management personnel

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

13. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2019.

Changes in significant accounting policies *(continued)*

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

(a) AASB 15 Revenue from Contracts with Customers

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

(b) AASB 9 Financial Instruments

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

Classification and measurement of financial assets and financial liabilities

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

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

14. Subsequent events

On 25 February 2019, a fully franked interim dividend of 3.0 cents per share was declared. The record date for the dividend is 8 March 2019 and the payment date for the dividend is 5 April 2019.

Other than the items 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.

Directors' declaration

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 24 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 2018 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 2018 in accordance with the 3rd edition of the ASX Corporate Governance Principles & Recommendations.

Signed in accordance with a resolution of directors:

Richard Davis
Chairman

Dated at Melbourne this 25th day of February 2019

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 2018 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 2018
- 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 14 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.

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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.

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 2018 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
25 February 2019