

Notes to the Consolidated Financial Statements

for the year ended 30 June 2023

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Section 1 Our Financial Performance

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

1.1 Revenue and Expenses

1.4 Earnings per Share

1.2 Operating Segments

1.5 Taxation

1.3 Dividends

1.1 Revenue and Expenses

Revenue recognition

Revenue is recognised when performance obligations have been satisfied, recovery of the consideration is probable and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

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

Deferred revenue

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

1.2 Operating segments

The Group determines and presents operating segments based on information that internally is provided to and used by the Chief Executive Officer, who is the Group's Chief Operating Decision Maker (CODM). An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The financial results of each operating segment are regularly reviewed by the Group's Chief Executive Officer in order to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

The basis of inter-segmental transfers is market pricing. Results are calculated before consideration of net borrowing costs and tax expense.

Identification of reportable operating segments

The two geographic segments being Australia and International reflect Monash IVF Group's reporting structure to the CODM. Monash IVF Group considers that the two geographic segments are appropriate for segment reporting purposes under AASB 8 "Operating Segments". These segments comprise the following operations:

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

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1.2 Operating segments (continued)

Segment results

2023	Monash IVF Group Australia \$'000	Monash IVF Group International \$'000	Total \$'000
Total revenue – external	200,814	12,776	213,590
Underlying EBIT (before non-recurring items) ⁽¹⁾	36,192	1,896	38,088
Acquisition costs ⁽¹⁾	(1,879)	-	(1,879)
Commissioning costs ⁽¹⁾	(2,898)	(153)	(3,051)
Fertility Solutions Earn Out ⁽¹⁾	(40)	-	(40)
Reported EBIT	31,375	1,743	33,118
Net finance costs	(3,252)	(27)	(3,279)
Profit before income tax expense	28,123	1,716	29,839
Income tax expense	(7,075)	(798)	(7,873)
Profit for the year	21,048	918	21,966
Depreciation and amortisation expense	(14,337)	(1,006)	(15,343)
Segment assets	405,783	16,111	421,894
Acquisition of plant and equipment and intangibles	48,407	1,345	49,752
Segment liabilities	138,513	8,307	146,820

2022	Monash IVF Group Australia \$'000	Monash IVF Group International \$'000	Total \$'000
Total revenue – external	182,098	10,196	192,294
Underlying EBIT (before non-recurring items) ⁽²⁾	30,578	2,831	33,409
Acquisition costs ⁽²⁾	(2,142)	-	(2,142)
Commissioning costs ⁽²⁾	(1,855)	(648)	(2,503)
Fertility Solutions Earn Out ⁽²⁾	(395)	-	(395)
Reported EBIT	26,186	2,183	28,369
Net finance costs	(2,110)	(37)	(2,147)
Profit before income tax expense	24,076	2,146	26,222
Income tax expense	(7,062)	(658)	(7,720)
Profit for the year	17,014	1,488	18,502
Depreciation and amortisation expense	(14,073)	(715)	(14,788)
Segment assets	365,305	15,513	380,818
Acquisition of plant and equipment and intangibles	11,759	499	12,258
Segment liabilities	104,235	6,690	110,925

⁽¹⁾ Non-regular items include transaction costs on acquisition opportunities (\$1,878,575 pre-tax), commission costs including lease expenditures (\$3,051,416 pre-tax) and Fertility Solutions Earn Out Fair Value adjustment (\$40,185).

⁽²⁾ Non-regular items include transaction costs on acquisition opportunities (\$2,141,934 pre-tax), commission costs including lease expenditures (\$2,502,703 pre-tax) and Fertility Solutions Earn Out Fair Value adjustment (\$395,306).

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for the year ended 30 June 2023

1.3 Dividends

Dividends during the year	Franking	Payment Date	Per share (cents)	2023 \$'000	2022 \$'000
Interim dividend in respect of the current financial year	Fully franked	7 April 2023	2.2	8,572	8,571
Final dividend in respect of the prior financial year	Fully franked	7 October 2022	2.2	8,572	8,182
Paid in cash during the year			4.4	17,144	16,753
Dividend franking account					
Amount of franking credits available at 30 June to shareholders for subsequent financial years				11,085	11,010

Monash IVF Group's dividend policy is to target a payout ratio of between 60% and 70% of Statutory NPAT. The level of payout ratio is expected to vary between periods depending on general operating conditions, operating cashflow and profit, funding, strategic growth opportunities and availability of franking credits.

Subsequent to 30 June 2023, the Board has declared a fully franked 2023 final dividend of 2.2 cents per share. Total dividend declared for FY23 is 4.4 cents. The aggregate amount of the proposed dividend expected to be paid out of retained profits at 30 June 2023, but not recognised as a liability at year end is \$8,571,966.

1.4 Earnings per share

Earnings per share	2023 Cents per share	2022 Cents per share
Basic earnings per share	5.6	4.7
Diluted earnings per share	5.6	4.7

Profit attributable to ordinary shareholders	2023 \$'000	2022 \$'000
Profit after income tax attributable to the ordinary shareholders used in calculating basic and diluted earnings per share	21,839	18,406

Weighted average number of shares	2023 Number	2022 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	389,634,840	389,634,840
Adjustments for calculation of diluted earnings per share ⁽¹⁾	2,790,483	1,908,165
Weighted average number of ordinary shares used in calculating diluted earnings per share	392,425,323	391,543,005

⁽¹⁾ The calculation of the weighted average number of shares has been adjusted for the effect of share based rights granted from the date of issue. Refer to Section 3.2 for further details.

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.

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1.4 Earnings per share (continued)

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.

1.5 Taxation

Income Tax expense

	2023	2022
	\$'000	\$'000
Current tax	6,434	7,782
Deferred tax	1,361	(305)
Under/(over) provided in prior year	78	243
Total income tax expense	7,873	7,720

Numerical reconciliation of income tax expense to prima facie tax payable

Profit before income tax expense	29,839	26,222
Tax at the Australian tax rate of 30% (2022: 30%)	8,952	7,867
Tax effect of amounts which are not deductible in calculating taxable income:		
Effect of tax rates in foreign jurisdiction	(3)	(129)
Research and development	(823)	(250)
Other items	(331)	(11)
Under/(over) provision of previous year	78	243
Income tax expense	7,873	7,720

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or to items recognised directly in equity or in other comprehensive income (OCI). Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

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for the year ended 30 June 2023

1.5 Taxation (continued)

Deferred Tax

	30 June 2021 Restated ⁽¹⁾		30 June 2022				30 June 2023			
	Deferred tax asset	Deferred tax liability	Recognised in profit or loss	Recognised directly in equity	Deferred tax asset	Deferred tax liability	Recognised in profit or loss	Recognised directly in equity	Deferred tax asset	Deferred tax liability
Plant and equipment	-	(533)	(743)	-	-	(1,276)	205	-	-	(1,071)
Intangible assets	-	(5,733)	-	-	-	(5,733)	-	-	-	(5,733)
Other	734	-	221	132	1,087	-	1,176	(169)	2,094	-
Leases	595	-	208	-	803	-	(195)	-	608	-
Derivatives	-	-	-	-	-	-	-	(92)	-	(92)
Trade payables and provisions	590	-	31	-	621	-	(271)	-	350	-
Employee benefits	3,789	-	(22)	-	3,767	-	447	-	4,214	-
Tax (liabilities)/assets before set off	5,708	(6,266)	(305)	132	6,278	(7,009)	1,362	(261)	7,266	(6,896)
Set off tax	(5,708)	5,708	-	-	(6,278)	6,278	-	-	(7,266)	7,266
Net tax assets/(liabilities)	-	(558)	-	-	-	(731)	-	-	370	-

⁽¹⁾ 30 June 2021 has been restated due to the IFRS Interpretations Committee decision in relation to accounting for Software as a Service.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

1.5 Taxation (continued)

Recognition and Measurement

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

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

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

Offsetting deferred tax

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

Tax consolidation

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

Key estimate and judgement: Recovery of deferred tax assets

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

Key estimate and judgement: Income taxes

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

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for the year ended 30 June 2023

Section 2

Our Operating Asset Base

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

2.1 Trade and other receivables

2.4 Plant and equipment

2.2 Inventory

2.5 Right of use of assets

2.3 Trade and other payables

2.6 Intangible assets

2.1 Trade and other receivables

	2023 \$'000	2022 \$'000
Current		
Trade receivables	5,733	5,067
Provision for expected credit losses	(625)	(846)
Net trade receivables	5,108	4,221
Other debtors	2,371	2,290
Accrued income	878	559
Prepayments	4,978	4,063
GST receivable	2,168	1,383
Total current trade and other receivables	15,503	12,516
Non current		
Other debtors	166	169

Provision for expected credit losses

The consolidated entity has recognised a decrease of \$221,000 (2022: increase of \$15,000) in respect of impairment of receivables for the year ended 30 June 2023. The decrease in provision for expected credit losses during the year was predominately driven by a reduction of outstanding balances over 120 days, which reflected counterparties that have been impacted by the economic environment in the prior year.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method less provision for expected credit losses. A financial asset (including trade receivables) not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. AASB 9 replaced the 'incurred loss model' in AASB 139 with an 'expected credit loss' (ECL) model. Loss allowances for trade receivables are measured at an amount equal to 12 month ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, debtor ageing and credit assessment including forward-looking information.

Credit Risk

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

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

2.1 Trade and other receivables (continued)

Patient fees for most treatments are received in advance and recognised as deferred revenue if the procedure is yet to be performed. This reduces the risk of non-collectability. Outstanding receivables predominantly relate to amounts owing from Medicare and storage fee patient accounts. Payment reminder notices are issued to patients with outstanding balances at 30, 60 and 90 days. After which, collection of this debt may be handled by a collection agency. The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

Prepayments

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

2.2 Inventory

	2023 \$'000	2022 \$'000
Consumables – at cost	6,430	5,254
Total inventory	6,430	5,254

Inventories are recorded using the FIFO method and are valued at the lower of cost and net realisable value. Inventories include medical supplies to be consumed in providing future patient services.

2.3 Trade and other payables

	2023 \$'000	2022 \$'000
Current		
Trade payables	1,855	3,340
Accrued expenses	10,096	7,238
Deferred revenue	9,245	8,659
Total trade and other payables	21,196	19,237

Trade and other payables are carried at amortised cost and are not discounted. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are paid in accordance with vendor terms.

2.4 Plant and equipment

	2023 \$'000	2022 \$'000
Cost		
Opening balance at 1 July	78,405	68,202
Additions	25,729	10,203
Disposal	(1,667)	-
Closing balance at 30 June	102,467	78,405
Accumulated depreciation and impairment losses		
Opening balance at 1 July	(48,011)	(43,262)
Depreciation for the year	(5,405)	(4,749)
Disposal	1,370	-
Other including foreign exchange movements	(49)	-
Closing balance at 30 June	(52,095)	(48,011)
Carrying amount		
At 1 July (Opening balance)	30,394	24,940
At 30 June (Closing balance)	50,372	30,394

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

2.4 Plant and equipment (continued)

Capital commitments

Expenditure contracted for but not recognised as liabilities:

	2023 \$'000	2022 \$'000
Capital plant and equipment	7,970 ⁽¹⁾	13,598 ⁽²⁾

⁽¹⁾ Capital plant and equipment includes the new Melbourne, Brisbane, Sunshine, St Leonards ultrasound practice and day hospital projects in development.

⁽²⁾ Capital plant and equipment includes the new Melbourne, Darwin, Penrith, Brisbane, Bali and Gold Coast fertility clinic and day hospital projects in development.

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised on a net basis within "other income" in profit or loss. The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of the plant and equipment are recognised in profit or loss as incurred.

Key estimate and judgement:

Depreciation

The Group's plant and equipment are depreciated over their useful economic lives between 2-10 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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2.5 Right of Use Assets

Leases as lessee

\$'000	2023		
	Buildings	Equipment	Total
Cost			
Opening balance at 1 July	97,237	1,770	99,007
Additions / modifications	13,226	-	13,226
Disposals	(20,720)	-	(20,720)
Closing balance at 30 June	89,743	1,770	91,513
Accumulated depreciation			
Opening balance at 1 July	(33,594)	(747)	(34,341)
Depreciation for the year	(7,128)	(346)	(7,474)
Disposals	9,316	-	9,316
Closing balance at 30 June	(31,406)	(1,093)	(32,499)
Carrying amount			
At 1 July (Opening balance)	63,643	1,023	64,666
At 30 June (Closing balance)	58,337	677	59,014
\$'000			
	2022		
	Buildings	Equipment	Total
Cost			
Opening balance at 1 July	68,322	1,770	70,092
Additions / modifications	30,394	-	30,394
Disposals	(1,479)	-	(1,479)
Closing balance at 30 June	97,237	1,770	99,007
Accumulated depreciation			
Opening balance at 1 July	(27,171)	(571)	(27,742)
Depreciation for the year	(7,429)	(176)	(7,605)
Disposals	1,006	-	1,006
Closing balance at 30 June	(33,594)	(747)	(34,341)
Carrying amount			
At 1 July (Opening balance)	41,151	1,199	42,350
At 30 June (Closing balance)	63,643	1,023	64,666

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.

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2.5 Right of Use Assets (continued)

The Group leases property and equipment. The leases typically run for a period of between one to ten years, with an option to renew the lease after this date. Lease payments are renegotiated at periods to reflect market rentals. The Group has elected not to recognise right of use assets and lease liabilities for short term and/or low value assets such as IT and office equipment.

	2023 \$'000	2022 \$'000
Amounts recognised in profit and loss		
Depreciation on right of use assets	7,474	7,605
Interest on lease liabilities	2,073	1,720
Expenses relating to low value assets	9	73
Amounts recognised in statement of cash flows		
Payments of lease liabilities	9,178	8,634

Extension options

Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of \$7.1 million.

2.6 Intangible assets

\$'000	Goodwill	Software	Trademark	Total
2023				
Net book value				
Balance at 1 July 2022	233,169	5,879	19,845	258,893
Additions	21,963	2,060	-	24,023
Amortisation expense	-	(2,464)	-	(2,464)
Balance at 30 June 2023	255,132	5,475	19,845	280,452
At 30 June 2023				
Cost	255,132	16,153	19,845	291,130
Accumulated amortisation and impairment losses	-	(10,678)	-	(10,678)
Balance at 30 June 2023	255,132	5,475	19,845	280,452
2022				
Net book value				
Balance at 1 July 2021 ⁽¹⁾	233,169	6,259	19,845	259,273
Additions	-	2,054	-	2,054
Amortisation expense	-	(2,434)	-	(2,434)
Balance at 30 June 2022	233,169	5,879	19,845	258,839
At 30 June 2022				
Cost	233,169	14,093	19,845	267,107
Accumulated amortisation and impairment losses	-	(8,214)	-	(8,214)
Balance at 30 June 2022	233,169	5,879	19,845	258,893

⁽¹⁾ 30 June 2021 has been restated due to the IFRS Interpretations Committee decision in relation to accounting for Software as a Service.

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2.6 Intangible assets (continued)

Software

Software has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. The cost of system development, including purchased software, is capitalised and amortised over the estimated useful life, being three to ten years. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such, the Group does not receive a software intangible asset at the contract commencement date.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

- Costs recognised as an operating expense over the term of the service contract include fees for use of application software and customization costs.
- Costs recognised as an operating expense as the service is received include configuration costs, data conversion and migration costs, testing costs and training costs.
- Costs incurred for the development of software code that enhance or modifies or creates additional capability to an existing on premise system, and meets the definition of and recognition criteria for an intangible asset are recognized as intangible software assets.

Trademark

Trademarks are reported at historical cost less impairment. Trademarks have an indefinite useful life where there is no expiry and no foreseeable limit on the period of time over which these assets are expected to contribute to the cash flows of the Group. Similar to goodwill, these are tested for impairment annually.

Goodwill

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

Impairment testing

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

The carrying amounts of the Group's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows of other assets or groups of assets (the 'cash-generating' units). The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

2.6 Intangible assets (continued)

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

The following CGUs were tested for impairment during the year:

	2023 \$'000	2022 \$'000
Goodwill and trademark allocated to:		
Australia	240,993	219,030
Ultrasound	28,232	28,232
International	5,752	5,752
	274,977	253,014

Impairment testing assumptions

The recoverable amount of a CGU is based on value-in-use calculations. The following key assumptions were utilised for the impairment testing:

- The respective discount rate was a pre-tax measure based on the rate of 10 year Government bonds issued by the Australian and Malaysian Government respectively in the relevant market, adjusted for a risk premium to reflect the increased risk of investing in equities generally and the systemic risk of the specific CGU. A pre-tax discount rate of 11.8% (FY22: 10.5%) for the Australian CGU, 11.8% (FY22: 10.5%) for the Ultrasound CGU and 15.0% (FY22: 11.5%) for the International CGU was applied in determining the recoverable amount.
- Cash flow forecasts are based on the Board-approved FY24 budget, projected for four years plus a terminal value. The FY24 budget reflects management's best estimate of forecast operating performance having regard to the IVF markets in Australia and Malaysia and anticipated ultrasound activity.
- A long-term growth rate into perpetuity of 3.0% (FY22: 3.0%) has been determined based on an assessment of historical growth rates, expectations of future growth rates and market specific dynamics.

Impact of possible changes in key assumptions

All CGU's in the Group have been tested for impairment and have met their required hurdle rates to support the current carrying values. Any reasonable possible change to relevant assumptions and inputs would not result in the recoverable amount being lower than the carrying amount, noting that recovery of the Ultrasound CGU to historical levels of activity is a key input in the Group's assessment..

Result of Impairment testing

The recoverable amount of all CGU's are deemed recoverable.

Notes to the Consolidated Financial Statements *continued*

for the year ended 30 June 2023

Section 3 Our People

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

3.1 Employee benefits

3.3 Key management personnel

3.2 Share-based payments

3.1 Employee benefits

	2023 \$'000	2022 \$'000
Current liability		
Long service leave	5,830	5,305
Annual leave	6,205	5,562
Total current employee benefits	12,035	10,867
Non current liability		
Long service leave	1,410	1,432
Total non current employee benefits	1,410	1,432
Total employee benefits provision	13,445	12,299

Provision for employee benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits are expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefits are measured at their present value of the estimated future cash outflow to be made in respect of services provided by the employees up to the reporting date. The discount rate is the yield at the reporting date on corporate bonds issued by the relevant markets that have maturity dates approximating the terms of the Group's obligations.

3.2 Share-based payments

Senior executives' long-term incentive plan

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

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

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

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

Under the Company's Long Term Incentive ("LTI") Plan, awards constituting share appreciation rights, performance rights or options, or any different class or category of award on such terms as the Board determines, may be

Notes to the Consolidated Financial Statements *continued*

for the year ended 30 June 2023

3.2 Share-based payments (continued)

offered to eligible persons selected by the Directors. Key management personnel and other senior management are eligible to participate under the LTI Program.

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

Long term incentive program (equity settled)

A description of the equity plans applicable during the year are described below:

Grant date	Vesting conditions
(2023 Plan) 23 November 2022	EPS - Subject to meeting certain EPS hurdles and 3 year service period to 30 June 2025 TSR - Subject to Total Shareholder Return hurdles and a 3 year service period to the 11th trading day after the FY25 results announcement
(2022 Plan) 19 November 2021	EPS - Subject to meeting certain EPS hurdles and 3 year service period to 30 June 2024 TSR - Subject to Total Shareholder Return hurdles and a 3 year service period to the 11th trading day after the FY24 results announcement
(2021 Plan) 16 October 2020	EPS - Subject to meeting certain EPS hurdles and 3 year service period to 30 June 2023 TSR - Subject to Total Shareholder Return hurdles and a 3 year service period to the 11th trading day after the FY23 results announcement
(2020 Plan) 16 October 2019	EPS - Subject to meeting certain EPS hurdles and 3 year service period to 30 June 2022 TSR - Subject to Total Shareholder Return hurdles and a 3 year service period to the 11th trading day after the FY22 results announcement

Key estimate and judgement: Share-based payments

As a result of the combination of non-market (EPS) and market (TSR) vesting conditions, the fair value of the share rights plan has been measured using Binomial tree and Monte Carlo simulation respectively. The inputs used in the measurement of the fair values at grant date of the equity-settled share based payment plans were as follows:

	2023	2022	2021	2020
Fair value at grant date (EPS condition)	\$1.02	\$0.93	\$0.61	\$0.94
Fair value at grant date (TSR condition)	\$0.60	\$0.49	\$0.32	\$0.46
Share price at grant date	\$1.02	\$0.93	\$0.62	\$0.94
Expected volatility – Monash IVF	40%	40%	40%	35%
Expected volatility – ASX 300 Healthcare Index	17%	16%	16%	15%
Expected life (years)	6	6	6	6
Expected dividends	0.00%	0.00%	0.00%	6.0%
Risk free interest rate (based on government bonds)	3.27%	0.95%	0.13%	0.83%

Expected volatility has been based on an evaluation of the historical volatility of the Company’s share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general instrument holder behavior.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

3.2 Share-based payments (continued)

Reconciliation of outstanding performance rights

The number of performance rights under the company's long-term incentive plan were as follows:

2023 Grant Date	Expiry Date	Balance at 1 July 2022	Granted during the year	Lapsed during the year	Forfeited during the year	Vested during the year	Balance at 30 June 2023	Exercisable rights at 30 June 2023
16 Oct 2019	30 June 2022	184,006	-	(184,006) ⁽¹⁾	-	-	-	-
16 Oct 2020	30 June 2023	856,240	-	-	-	-	856,240	599,367 ⁽²⁾
19 Nov 2021	30 June 2024	867,919	-	-	-	-	867,919	-
23 Nov 2022	30 June 2025	-	1,066,324	-	-	-	1,066,324	-
		1,908,165	1,066,324	(184,006)	-	-	2,790,483	599,367

⁽¹⁾ TSR vesting conditions for performance rights granted in FY20 were not satisfied therefore these rights lapsed.

⁽²⁾ Vesting conditions were satisfied but not yet exercised.

2022 Grant Date	Expiry Date	Balance at 1 July 2021	Granted during the year	Lapsed during the year	Forfeited during the year	Vested during the year	Balance at 30 June 2022	Exercisable rights at 30 June 2022
20 Dec 2018	30 June 2021	40,359	-	(40,359) ⁽¹⁾	-	-	-	-
16 Oct 2019	30 June 2022	368,012	-	(184,006) ⁽²⁾	-	-	184,006	-
16 Oct 2020	30 June 2023	901,521	-	-	(45,281) ⁽³⁾	-	856,240	-
19 Nov 2021	30 June 2024	-	917,992	-	(50,073)	-	867,919	-
		1,309,892	917,992	(224,365)	(95,354)	-	1,908,165	-

⁽¹⁾ TSR vesting conditions for performance rights granted in FY19 were not satisfied therefore these rights lapsed.

⁽²⁾ EPS vesting conditions for performance rights granted in FY20 were not satisfied therefore these rights lapsed.

⁽³⁾ Forfeited due to not satisfying service conditions.

3.3 Key management personnel

	2023 \$	2022 \$
Compensation		
Short-term employee benefits	2,531,491	2,127,923
Post-employment benefits	154,190	138,639
Share-based payments	318,178	250,640
Total key management personnel compensation	3,003,859	2,517,202

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

Transactions with key management personnel and related parties

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

Notes to the Consolidated Financial Statements *continued*

for the year ended 30 June 2023

Section 4 Our Funding Structure

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

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

4.1 Share capital and reserves

4.4 Derivative financial instruments

4.2 Financial risk management

4.5 Net finance costs

4.3 Borrowings

4.6 Cash and cash equivalents

4.1 Share capital and reserves

	Number of shares	\$'000
Opening balance at 1 July 2022	389,634,840	506,786
Closing balance at 30 June 2023	389,634,840	506,786

Ordinary shares

Ordinary shares are classified as share capital. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

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

Capital management

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

Other equity reserve

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

Profits reserve

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

Share option reserve

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

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

4.1 Share capital and reserves (continued)

Hedge reserve

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

Foreign currency translation reserve

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

Escrow arrangements

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

	30 June 2023		30 June 2022	
	Number of shares subject to escrow (m)	Escrowed shares (as a % of shares on issue)	Number of shares subject to escrow (m)	Escrowed shares (as a % of shares on issue)
Doctors ⁽¹⁾⁽²⁾	12.2	3.1%	13.8	3.5%
Sydney Ultrasound for Women ⁽³⁾	1.2	0.3%	1.2	0.3%
Total	13.4	3.4%	15.0	3.8%

⁽¹⁾ FY23 Includes 1.0m shares subject to escrow held by Richard Henshaw (Executive Director) (FY22:1.0m shares)

⁽²⁾ Doctors

⁽³⁾ Escrow for Sydney Ultrasound for Women (SUFW)

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

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

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

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

Notes to the Consolidated Financial Statements *continued*

for the year ended 30 June 2023

4.1 Share capital and reserves (continued)

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

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

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

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

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

All shares issued to the vendors of SUFW are escrowed such that 53.3% of the shares issued were escrowed until the first trading day after the release of the FY16 results. 3.3% were escrowed until the first trading day after the release of the FY17 results and 3.3% are escrowed until the first trading day after the release of the FY18 results. The remaining 40.1% is subject to escrow and is consistent with the Doctors above in points 1 and 2. Doctors will be able to sell any non-escrowed Shares at any time, subject to complying with insider trading restrictions and the Group's Securities Trading Policy. The escrow arrangements describing the circumstances in which a SUFW Doctor is a 'good leaver' or a 'relocated leaver' is the same as described above.

4.2 Financial risk management

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

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

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

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

Liquidity risk

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

- Preparing forward-looking financial analysis in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Obtaining funding from a variety of sources;

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

4.2 Financial risk management (continued)

- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets;
- Only investing surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

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

2023	Carrying amount \$'000	Total Contractual cash flows \$'000	Within 1 year \$'000	1-5 years \$'000	Over 5 years \$'000
Non-derivative financial liabilities					
Secured bank loans	39,000	(42,506)	-	(42,506)	-
Trade and other payables	21,196	(21,196)	(21,196)	-	-
Lease liabilities	61,173	(70,724)	(8,227)	(33,547)	(28,950)
Contingent consideration	10,910	(10,910)	(5,710)	(5,200)	-
	132,279	(145,336)	(35,133)	(81,253)	(28,950)

2022	Carrying amount \$'000	Total Contractual cash flows \$'000	Within 1 year \$'000	1-5 years \$'000	Over 5 years \$'000
Non-derivative financial liabilities					
Secured bank loans	10,000	(10,970)	-	(10,970)	-
Trade and other payables	19,237	(19,237)	(19,237)	-	-
Lease liabilities	67,466	(72,830)	(8,630)	(32,438)	(31,762)
Contingent consideration	971	(971)	(483)	(488)	-
	97,674	(104,008)	(28,350)	(43,896)	(31,762)

Foreign exchange risk

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

Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Interest rate risk may be managed using a mix of floating rate debt and fixed rate instruments. Interest rate swaps may be used to mitigate interest rate risk on floating rate debt. Interest rate swaps are not entered into for trading purposes and are not classified as held for trading.

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

	2023 \$'000	2022 \$'000
Fixed rate instruments		
Financial assets	1,440	967
Financial liabilities	(61,173)	(67,466)
	(59,733)	(66,499)
Variable rate instruments		
Financial assets	6,565	6,752
Financial liabilities	(38,866)	(9,764)
	(32,301)	(3,012)

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

4.2 Financial risk management (continued)

Cash flow sensitivity analysis for variable rate instruments

A reasonable possible change of a 100 basis points in interest rates at the reporting date would have increased /(decreased) equity and profit or loss by \$323,010 (FY22: \$30,120). This assumes that all other variables remain constant.

Market risk – Operational risk

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

Fair Values

(a) Accounting classifications and fair values

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

\$'000	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Interest rate swaps for hedging	305	-	305	-	305
	305	-	305	-	305

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

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

(b) Measurement of fair value

(i) Valuation techniques and significant unobservable inputs

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

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

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

4.3 Borrowings

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

Total loan facilities available to the Group in Australian dollars

\$'000	2023		2022	
	Limit	Utilised	Limit	Utilised
Syndicated Debt facility A	40,000	32,000	40,000	10,000
Syndicated Debt facility B ⁽¹⁾	10,000	7,000	-	-
Total borrowings	50,000	39,000	40,000	10,000
Other facilities				
Working capital facility ⁽²⁾	10,000	3,637 ⁽²⁾	10,000	3,489 ⁽²⁾
Accordion facility	30,000	-	40,000	-
Borrowings				
Borrowings		39,000		10,000
Capitalised finance facility fees		(134)		(236)
Total borrowings		38,866		9,764

⁽¹⁾ In March 2023, the Group opened facility B utilizing \$10m of the Accordion Facility which is available for acquisition and growth capital expenditure purposes.

⁽²⁾ The working capital facility is used for lease bank guarantees which is off-balance sheet.

The banking facilities are secured via a first ranking security over substantially all of the Group's entities. The Group is subject to certain financial undertakings under the banking facilities. As at 30 June 2023, the Group is compliant with its financial undertakings.

As at 30 June 2023, the Group had \$3,636,859 of bank guarantees in place (FY22: \$3,488,999).

Reconciliation of movements of liabilities arising from financing activities

\$'000	Balance at 1 July 2022	Additions	Principal repayments	Other	Balance at 30 June 2023
Loans	9,764	42,000	(13,000)	102 ⁽¹⁾	38,866
Lease liabilities	67,466	2,885	(9,178)	-	61,173
Total interest bearing loans and borrowings	77,230	44,885	(22,178)	102	100,039

⁽¹⁾ Capitalised bank fees following new and extension to the Syndicated Debt Facilities.

4.3 Derivative financial instruments

	2023	2022
	\$'000	\$'000
Non current		
Derivatives	305	-
	305	-

In April 2023, the Group entered into an interest rate swap for \$15m which is in a hedging relationship with existing debt. The swap will mature at 14 April 2026.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

4.3 Derivative financial instruments (continued)

Recognition and measurement

Derivative financial instruments, including hedge accounting

The Group may hold derivative financial instruments to hedge certain floating interest rate exposures. On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedging items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be “highly effective” in offsetting the change in the cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

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

Cash Flow hedge

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

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

4.4 Net Finance Costs

	2023 \$'000	2022 \$'000
Finance income		
Interest income	25	4
Finance costs		
Interest expense	1,036	377
Amortisation of borrowing costs ⁽¹⁾	195	54
Interest on lease liabilities	2,073	1,720
Total finance costs	3,304	2,151
Net finance costs	3,279	2,147

⁽¹⁾ Includes interest and amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

Notes to the Consolidated Financial Statements *continued*

for the year ended 30 June 2023

4.6 Cash and cash equivalents

	2023 \$'000	2022 \$'000
Cash at bank	6,565	6,907
Short-term bank deposits	1,440	967
Total cash and cash equivalents	8,005	7,874
Reconciliation of profit after income tax to net cash inflow from operating activities	2023 \$'000	2022 \$'000
Profit for the period	21,966	18,502
Adjustments:		
Depreciation and amortisation	15,343	14,788
Net finance cost included in financing activities	1,206	427
Provision for Fertility Solutions Earn-out	40	395
Provision for expected credit losses	(221)	15
Acquisition, Lease Accounting and Other	2,171	3,191
Operating profit before changes in working capital and provisions	40,505	37,318
Change in net operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(2,984)	(2,702)
(Increase)/decrease in inventory	(1,176)	(1,037)
Increase/(decrease) in trade and other payables	1,959	678
Increase/(decrease) in provisions and employee benefits	1,146	350
Increase/(decrease) in income and deferred taxes	(328)	(2,718)
Net cash from operating activities	39,122	31,889

Notes to the Consolidated Financial Statements *continued*

for the year ended 30 June 2023

Section 5 Our Business Portfolio

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

5.1 Controlled entities

5.4 Acquisitions and disposals

5.2 Investments accounted for using the equity method

5.5 Deed of cross guarantee

5.3 Parent equity

5.1 Controlled entities

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

Controlled entities	Place of business /country	Ownership interest	
		2023	2022
Healthbridge Enterprises Pty Ltd	Australia	100%	100%
Monash IVF Group Acquisitions Pty Ltd	Australia	100%	100%
Healthbridge IVF Holdings Pty Ltd	Australia	100%	100%
Healthbridge Shared Services Pty Ltd	Australia	100%	100%
Healthbridge Repromed Pty Ltd	Australia	100%	100%
Repromed Finance Pty Ltd	Australia	100%	100%
Repromed Holdings Pty Ltd	Australia	100%	100%
Repromed NZ Holding Pty Ltd	Australia	100%	100%
Repromed Australia Pty Ltd	Australia	100%	100%
Adelaide Fertility Centre Pty Ltd	Australia	100%	100%
Monash IVF Holdings Pty Ltd	Australia	100%	100%
Monash IVF Finance Pty Ltd	Australia	100%	100%
Monash IVF Pty Ltd	Australia	100%	100%
Monash Reproductive Pathology and Genetics Pty Ltd	Australia	100%	100%
Monash Ultrasound Pty Ltd	Australia	100%	100%
Monash IVF Auchenflower Pty Ltd	Australia	100%	100%
Yoncat Pty Ltd	Australia	100%	100%
My IVF Pty Ltd	Australia	100%	100%
ACN 169 060 495 Pty Ltd	Australia	100%	100%
Palantrou Pty Ltd	Australia	100%	100%
ACN 166 701 819 Pty Ltd	Australia	100%	100%
ACN 166 702 487 Pty Ltd	Australia	100%	100%
KL Fertility & Gynaecology Centre Sdn. Bhd.	Malaysia	90%	90%
KL Fertility Daycare Sdn. Bhd.	Malaysia	100%	100%
Sydney Ultrasound for Women Partnership	Australia	100%	100%
Ultrasonic Diagnostic Services Trust No.2	Australia	100%	100%
ACN 604 384 661 Pty Ltd	Australia	100%	100%
Ultrasonic Diagnostic Services Pty Ltd	Australia	100%	100%
Fertility Australia Pty Ltd	Australia	100%	100%
Fertility Australia Trust	Australia	100%	100%
MVF Sunshine Coast Pty Ltd	Australia	100%	100%
Hobart IVF Pty Ltd ⁽¹⁾	Australia	-	57.4%
Monash IVF West Pty Ltd	Australia	90%	-
ART Associates Queensland No.2 Pty Ltd	Australia	100%	-

⁽¹⁾ Refer to Note 5.4

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

5.1 Controlled entities (continued)

Controlled entities	Place of business /country	Ownership interest	
		2023	2022
Gold Coast Ultrasound for Women Pty Ltd ⁽¹⁾	Australia	-%	51%
Monash IVF Asia Pte Ltd	Singapore	90%	90%
Monash IVF South Malaysia Pte Ltd	Malaysia	62%	62%
Pt Mitra Kasih Medikatama	Indonesia	54%	54%

⁽¹⁾ Refer to Note 5.4

5.2 Investments accounted for using the equity method

Name of company	Principal Activity	Ownership Interest %		Share of Net Profit/Loss \$'000	
		2023	2022	2023	2022
Compass Fertility	Fertility Services	30%	25%	106	243

5.3 Parent entity

As at 30 June 2023 and throughout the financial year ending on that date, the parent company of the Group was Monash IVF Group Limited.

Results of parent entity	2023 \$'000	2022 \$'000
Profit after tax	14,865	15,470
Other comprehensive income	-	-
Total comprehensive income	14,865	15,470

Financial position of parent entity at year end		
Current assets	-	-
Total assets	555,071*	528,184*
Current liabilities	862	1,294
Total liabilities	37,607	8,441
Net assets	517,464	519,743

Total equity of the parent entity comprising of:		
Share capital	506,786	506,786
Retained earnings	10,678	12,957
Total equity	517,464	519,743

*Includes Intercompany balances with its subsidiaries, as at 30 June 2023, these balances are not expected to be settled within twelve months.

Expenditure contracted for but not recognised as liabilities

Parent Entity	2023 \$'000	2022 \$'000
Capital plant and equipment	7,970	13,598

Parent entity guarantees in respect of the debts of its subsidiaries

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

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

5.4 Acquisitions and disposals

Acquisition of ART Associates Queensland

On 1 July 2022, Monash IVF Group Limited announced the acquisition of ART Associates Queensland No.2 Pty Ltd (ART Associates Queensland) in Brisbane, Queensland for initial cash consideration of \$3.9m on a debt free basis, with the potential of additional earn out payments, subject to certain clauses, over a five to seven year period from completion. ART Associates Queensland is a specialist fertility clinic in Brisbane performing IVF clinical patient services and processes including nursing, phlebotomy, ultrasound and other related services.

Acquisition of Pivet Medical Centre

On 27 May 2023, Monash IVF Group Limited announced the completion of the acquisition of PIVET Medical Centre ("PIVET") which is a Perth, Western Australia and Cairns, Queensland provider of fertility services. The acquisition included initial up-front cash consideration of \$7.0 million on a debt free basis, with the potential of additional earn out payments, subject to certain clauses.

In this financial report, ART Associates Queensland and Pivet Medical Centre contributed \$8.8m of revenue and net profit after tax of \$2.0m to the consolidated results. If the acquisitions occurred on 1 July 2022, Management estimated that consolidated revenue would have been \$223.5m and consolidated profit after tax for the period would have been \$24.0m.

The Group incurred acquisition related costs of \$1.3m post tax 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.

The identifiable assets acquired and liabilities assumed for the ART Associates Queensland and Pivet Medical Centre acquisitions have been determined at fair value:

	\$'000
Consideration	
Total cash consideration	10,948
Contingent consideration	
Current	5,182
Non Current	5,200
Total contingent consideration	10,382
Total consideration	21,330
Identifiable assets acquired and liabilities assumed	
Prepayments	150
Plant and equipment	529
Inventory	149
Trade and other payables	(500)
Employee entitlements	(961)
Total identifiable net assets/ (liabilities)	(633)
Total consideration	21,330
Plus Fair value of net identifiable liabilities	633
Goodwill	21,963

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

5.4 Acquisitions and disposals (continued)

Accounting estimates and judgements- Contingent consideration

Deferred or contingent consideration relates to businesses acquired and is initially measured at fair value as at the acquisition date. Subsequent to initial recognition, deferred consideration continues to be measured at fair value with any changes in fair value recognised in the profit or loss.

The measurement of contingent consideration requires management to estimate the amount likely to be paid in the future. This requires the exercise of judgement, in particular where the amounts payable is dependent to the future financial performance of the business that has been acquired.

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.

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. 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.

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.

Sale of Hobart IVF Pty Ltd

On 31 October 2022, a share sale agreement was executed for the sale of Monash IVF Group's majority shareholding of 57.4% to the sole minority shareholder for no cash consideration. This resulted in a \$146K loss on disposal. Accordingly, the loss on disposal and derecognition of assets and liabilities of the subsidiary has been reported in the Group financial statements.

Sale of Gold Coast Ultrasound for Women Pty Ltd

On 14 April 2023, a share sale agreement was executed for the sale of Monash IVF Group's majority shareholding of 57.4% to QUFW Southport Pty Ltd for \$215K. This resulted in an estimated \$14K loss on disposal. Accordingly, the gain on disposal and derecognition of assets and liabilities of the subsidiary has been reported in the Group financial statements.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

5.5 Deed of cross guarantee

The below listed entities are parties to a Deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly Owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The below companies represent the parties to the Deed of cross guarantee ('closed group'):

- Monash IVF Group Ltd
- Monash IVF Group Acquisition Pty Ltd
- Healthbridge Enterprises Pty Ltd
- Healthbridge Shared Services Pty Ltd
- Healthbridge IVF Holdings Pty Ltd
- Healthbridge Repromed Pty Ltd
- ACN 169060495 Pty Ltd
- ACN 166701819 Pty Ltd
- My IVF Pty Ltd
- Monash IVF Holdings Pty Ltd
- Palantrou Pty Ltd
- ACN 166702487 Pty Ltd
- Repromed Finance Pty Ltd
- Monash IVF Finance Pty Ltd
- Repromed Holdings Pty Ltd
- Monash IVF Pty Ltd
- Repromed Australia Pty Ltd
- Repromed NZ Holding Pty Ltd
- Monash Ultrasound Pty Ltd
- Monash Reproductive Pathology & Genetics Pty Ltd
- Monash IVF Auchenflower Pty Ltd
- Yoncat Pty Ltd
- Adelaide Fertility Centre Pty Ltd
- Sydney Ultrasound for Women Partnership
- Ultrasonic Diagnostic Services Trust No. 2
- ACN 604384661 Pty Ltd
- Ultrasonic Diagnostic Services Pty Ltd
- Fertility Australia Pty Ltd
- Fertility Australia Trust
- MVF Sunshine Coast Pty Ltd

An extract of the consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are party to the Deed of cross guarantee, after eliminating all transactions between parties to the Deed of cross guarantee is set out as follows:

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

5.5 Deed of cross guarantee (continued)

	2023	2022
Extract of the statement of profit or loss and other comprehensive income	\$'000	\$'000
Profit before tax	28,182	24,128
Income tax expense	(7,340)	(6,840)
Net profit after tax	20,842	17,288
Summary of movements in retained earnings		
Opening balance at 1 July	(106,047)	(106,582)
Profit for the period	20,842	17,288
Dividends paid/declared	(17,144)	(16,753)
Closing balance at 30 June	(102,349)	(106,047)
Statement of financial position		
Current assets		
Cash and cash equivalents	5,138	5,200
Trade and other receivables	14,507	11,956
Inventory	6,001	5,015
Total current assets	25,646	22,171
Non current assets		
Investment in subsidiaries	12,964	12,967
Trade and other receivables	100	100
Plant and equipment	47,234	28,401
Right of use assets	58,459	61,372
Deferred tax asset	10,871	11,211
Derivative financial instrument	305	
Intangible assets	264,434	252,746
Total non current assets	394,367	366,797
Total assets	420,013	388,968
Current liabilities		
Trade and other payables	20,493	26,061
Lease liabilities	5,935	6,023
Current tax payable	1,457	457
Contingent consideration	3,380	483
Employee benefits	11,103	10,853
Total current liabilities	42,368	43,877
Non current liabilities		
Borrowings	38,866	9,764
Lease liabilities	54,659	58,134
Deferred tax liability	10,373	11,836
Contingent consideration	5,200	488
Employee benefits	1,381	1,401
Total non current liabilities	110,479	81,623
Total liabilities	152,847	125,500
Net assets	267,166	263,468
Equity		
Contributed equity	506,786	506,786
Reserves	(137,271)	(137,271)
Retained earnings	(102,349)	(106,047)
Total equity	267,166	263,468

As at 30 June 2023, the Deed of cross guarantee Group has a net current asset deficiency of \$16,722,000 (FY22: \$21,706,000). Refer to the basis of preparation note in relation to going concern considerations.

Notes to the Consolidated Financial Statements *continued*

for the year ended 30 June 2023

Section 6 Other disclosures

6.1 Auditors' remuneration

6.2 Events occurring after the reporting period

6.3 Commitment and contingencies

6.4 Reporting entity

6.5 Basis of preparation

6.6 New standards and interpretations

6.1 Auditors' remuneration

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

	2023 \$	2022 \$
Audit services - KPMG		
Audit and review of financial statements	313,850	295,000
Other services - KPMG		
Taxation services	196,190	134,750
Other auditors (Non KPMG)		
Audit and review of financial statements	22,443	22,339
Total services	532,483	452,089

6.2 Events occurring after the reporting period

On 22 August 2023, a fully franked final dividend of 2.2 cents per share was declared. The record date for the dividend is 8 September 2023 and the payment date for the dividend is 11 October 2023.

Refer to note 6.3 for developments in contingent liabilities arising after the reporting period.

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

6.3 Commitment and contingencies

As announced to the ASX on 23 December 2020, Monash IVF Group became aware that it and certain number of its subsidiaries have been named as defendants in proceedings filed in the Supreme Court of Victoria in relation to, or in connection with, the Group's non-invasive pre-implantation genetic screening technology (Ni-PGT or cell-free PGT-A). The proceedings filed makes a series of allegations against Monash IVF Group in relation to the Ni-PGT testing including that those patients who had embryos classified as aneuploid as a result of Ni-PGT testing may have had embryos destroyed or did not proceed to embryo transfer. Ni-PGT testing was suspended in October 2020. As announced to the ASX on 21 August 2023, an amended statement of claim was filed in the Supreme Court of Victoria which, amongst other things, seeks aggravated damages and exemplary damages from the Group.

The Group filed its initial defense on 19 August 2022 in accordance with the Court's directions and expects to file its defense for the amended statement of claim in the coming months. The discovery process is continuing and the Group has notified its insurers of the claim noting the cost of Monash IVF's defense of the Class Action are currently funded by its insurer. The claim does not specify an amount of damages and it is not currently possible to determine the ultimate impact of this claim, if any, on the Group. The aggravated damages and exemplary damages claim, and the costs of defending that, are uninsured. Legal costs and damages, if any, in excess of insurance proceeds will be funded by Monash IVF.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

6.4 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. Monash IVF Group Ltd was incorporated on 30 April 2014. The Company is incorporated in Australia and listed on the Australian Stock Exchange. Its registered office is at Level 1, 510 Church Street, Cremorne, Victoria and is limited by shares. The consolidated financial statements comprise the Company and its controlled entities (collectively 'the consolidated entity', 'Monash Group' or 'Group').

6.5 Basis of preparation

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements of the Group comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the international Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 22 August 2023.

Functional and presentation currency

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

Rounding of amounts

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

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Monash IVF Group Ltd as at 30 June 2023 and the results of all subsidiaries for the year then ended. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date on which control ceases. The acquisition method of accounting is used to account for business combinations by the Group. Intra-group balances and transactions, arising from intra-group transactions are eliminated at consolidation.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence ceases.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

6.5 Basis of preparation (continued)

Basis of measurement

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

Foreign currency translation

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

Foreign operations

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

Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated recoverable amount of goodwill and other non-current assets

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy for intangible assets. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash generating units, or CGUs). Refer to Note 2.6 for further details on impairment testing.

(ii) Provision for ECL on receivables

The Group calculates the doubtful debts provision under the ECL model. The Group assesses credit losses based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Measurement of ECL allowance for trade receivables is disclosed in Note 2.1.

(iii) Provisions

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

(iv) Deferred consideration

The measurement of deferred consideration requires management to estimate the amount likely to be paid in the future. This requires the exercise of judgement, in particular where the amount payable is dependent to the future financial performance of the business that has been acquired.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2023

6.5 Basis of preparation (continued)

(v) Leases

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.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Going concern

As at 30 June 2023, the group has a net current asset deficiency of \$16,565,000 (FY22: \$12,531,000). 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 revenue will not be fully settled in the short term to cause a liquidity shortfall.

The Directors have considered forecast cash flow scenarios for at least the twelve month period from the date of approval of these financial statements. As a result, the Directors consider that the Group is able to pay its debts as and when they are due and these financial statements can be prepared on a going concern basis.

6.6 New standards and interpretations

A number of new standards are effective for annual periods beginning after 1 July 2022 and earlier applications permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to AASB 101)
- Recognising deferred tax on leases (Amendments to AASB 112)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)