Notes to the Consolidated Financial Statements

for the year ended 30 June 2022

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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
1.2 Operating Segments
1.3 Dividends
1.4 Earnings per Share
1.5 Taxation

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.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are recognised in comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

In March 2020, the Australian Government announced the introduction of JobKeeper, an economic response package to the Coronavirus pandemic. Under the JobKeeper grant, businesses impacted by the Coronavirus were able to access a subsidy from the Government to continue paying their employees. Employers who have turnover under $1 billion were eligible for the subsidy if their turnover reduces by more than 30 per cent relative to the comparable prior year period for at least a month between April and September 2020. The COVID-19 impact on the group turnover in April 2020 resulted in a greater than 30% reduction compared to April 2019 due to the temporary suspension of IVF procedures requiring hospitalisation between 25 March and 27 April 2020 in Australia. Accordingly, the Group was eligible to claim a fortnightly payment of $1,500 per eligible employee from 30 March 2020 to 30 September 2020.

JobKeeper payments receivable from the ATO are recognised by a 'for profit' entity as a government grant as the payment is a wage subsidy provided by the Government with the objective of keeping the organisation connected with the economy and their workers during the COVID-19 pandemic period between April and September 2020. The related amounts paid to employees are recognised as employee benefit expenses. The JobKeeper payment is recognised only when there is reasonable assurance that the organisation will comply with the conditions and that the grant will be received. The income is recognised in profit and loss matching the employee salary expense which is what the grant was intended to compensate.

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1.1 Revenue and Expenses (continued)

As a government grant, there is an accounting policy choice whereby the organisation presents the grant income gross from the expense or net of the related expense. The grant income has been disclosed net of the related employee expense as the subsidy support was used to fund existing employee wages during the period.

The grant amount recognised in employee benefits expense is $0.0m (FY21: $5.7m).

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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for the year ended 30 June 2022

Segment results

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)[1]	**30,578**	**2,831**	**33,409**
Acquisition costs [1]	(2,142)	-	(2,142)
Commissioning costs [1]	(1,855)	(648)	(2,503)
Fertility Solutions Earn Out[1]	(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**

2021 (Restated) [3][4]	Monash IVF Group Australia $'000	Monash IVF Group International $'000	Total $'000
Total revenue – external	**172,902**	**10,703**	**183,605**
Underlying EBIT (before non-recurring items)[2]	**31,456**	**3,663**	**35,119**
Proceeds from JobKeeper[2]	5,058	-	5,058
Fertility Solutions Earn Out[2]	(678)	-	(678)
Sydney CBD clinic premise costs[2]	(848)	-	(848)
Reported EBIT	**34,988**	**3,663**	**38,651**
Net finance costs	(2,350)	(101)	(2,451)
Profit before income tax expense	**32,638**	**3,562**	**36,200**
Income tax expense	(9,652)	(861)	(10,513)
Profit for the year	**22,986**	**2,701**	**25,687**
Depreciation and amortisation expense	(11,917)	(640)	(12,557)
Segment assets	**336,543**	**13,923**	**350,466**
Acquisition of plant and equipment and intangibles	9,916	117	10,033
Segment liabilities	**79,124**	**2,900**	**82,024**

(1) 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).

(2) Non-regular items include JobKeeper Subsidy impact ($5,058,000 pre-tax), Sydney CBD activity ($848,000 pre-tax), and Fertility Solutions Earn Out Fair Value adjustment ($678,000).

(3) 30 June 2021 has been restated due to the IFRS Interpretations Committee decision in relation to accounting for Software as a Service (refer to note 6.2).

(4) 30 June 2021 amounts have been restated due to business development and related costs relating to Asia, previously reported as part of the Australian segment. In FY22, these amounts have been reported as part of the individual segment, and the FY21 segment results reflect the reclassification of costs amounting to $583,311 from Australia.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

1.3 Dividends

Dividends during the year	Franking	Payment Date	Per share (cents)	2022 $'000	2021 $'000
Interim dividend in respect of the current financial year	Fully franked	4 April 2022	2.2	8,571	8,182
Final dividend in respect of the prior financial year	Fully franked	8 October 2021	2.1	8,182	-
Total			**4.3**	**16,753**	**8,182**
Current liability – Dividend payable				-	4,952
Paid in cash during the year				16,753	13,134
Dividend franking account					
Amount of franking credits available at 30 June to shareholders for subsequent financial years				**11,010**	**11,998**

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 2022, the Board has declared a fully franked 2022 final dividend of 2.2 cents per share. Total dividend declared for FY22 is 4.4 cents. The aggregate amount of the proposed dividend expected to be paid out of retained profits at 30 June 2022, but not recognised as a liability at year end is $8,571,966.

1.4 Earnings per share

Earnings per share	2022 Cents per share	2021 Cents per share (Restated) (2)
Basic earnings per share	4.7	6.5
Diluted earnings per share	4.7	6.5

Profit attributable to ordinary shareholders	2022 $'000	2022 $'000 (Restated) (2)
Profit after income tax attributable to the ordinary shareholders used in calculating basic and diluted earnings per share	18,406	25,330

Weighted average number of shares	2022 Number	2021 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)	1,908,165	1,309,892
Weighted average number of ordinary shares used in calculating diluted earnings per share	391,543,005	390,944,732

(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.

(2) 30 June 2021 has been restated due to the IFRS Interpretations Committee decision in relation to accounting for Software as a Service (refer to note 6.2).

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1.4 Earnings per share (continued)

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.

1.5 Taxation

Income Tax expense

	2022 $'000	2021 $'000 Restated (1)
Current tax	7,782	11,319
Deferred tax	(305)	(894)
Under/(over) provided in prior year	243	88
Total income tax expense	**7,720**	**10,513**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	26,222	36,200
Tax at the Australian tax rate of 30% (2021: 30%)	7,867	10,860
Tax effect of amounts which are not deductible in calculating taxable income:		
Effect of tax rates in foreign jurisdiction	(129)	(256)
Research and development	(250)	(250)
Other items	(11)	71
Under/(over) provision of previous year	243	88
Income tax expense	**7,720**	**10,513**

(1) 30 June 2021 has been restated due to the IFRS Interpretations Committee decision in relation to accounting for Software as a Service (refer to note 6.2).

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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1.5 Taxation (continued)

Deferred Tax

$'000	1 July 2020 Restated (1)				30 June 2021 Restated (1)				30 June 2022	
	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	-	(308)	(225)	-	-	(533)	(743)	-	-	(1,276)
Intangible assets	-	(5,944)	-	211 (1)	-	(5,733)	-	-	-	(5,733)
Receivables	-	(494)	494	-	-	-	-	-	-	-
Other	845	-	-	(111)	734	-	221	132	1,087	-
Leases	635	-	(40)	-	595	-	208	-	803	-
Trade payables and provisions	577	-	13	-	590	-	31	-	621	-
Employee benefits	3,138	-	651	-	3,789	-	(22)	-	3,767	-
Tax (liabilities)/assets before set off	**5,195**	**(6,746)**	**893**	**100**	**5,708**	**(6,266)**	**(305)**	**132**	**6,278**	**(7,009)**
Set off tax	(5,195)	5,195	-	-	(5,708)	5,708	-	-	(6,278)	6,278
Net tax assets/(liabilities)	**-**	**(1,551)**	**-**	**-**	**-**	**(558)**	**-**	**-**	**-**	**(731)**

(1) 30 June 2021 has been restated due to the IFRS Interpretations Committee decision in relation to accounting for Software as a Service (refer to note 6.2).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

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
2.2 Inventory
2.3 Trade and other payables
2.4 Plant and equipment
2.5 Right of use of assets
2.6 Intangible assets

2.1 Trade and other receivables

	2022 $'000	2021 $'000
Current		
Trade receivables	5,067	5,030
Provision for expected credit losses	(846)	(831)
Net trade receivables	**4,221**	**4,199**
Other debtors	2,290	731
Accrued income	559	328
Prepayments	4,063	2,942
GST receivable	1,383	1,323
Total current trade and other receivables	**12,516**	**9,523**
Non current		
Other debtors	**169**	**460**

Provision for expected credit losses

The consolidated entity has recognised an expense of $15,000 (2021: $84,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2022. The increase in provision for expected credit losses during the year was predominately driven to reflect counterparties that have been impacted by the current economic environment.

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 2022

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

	2022 $'000	2021 $'000
Consumables – at cost	5,254	4,217
Total inventory	**5,254**	**4,217**

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

	2022 $'000	2021 $'000
Current		
Trade payables	3,340	2,245
Accrued expenses	7,238	9,019
Deferred revenue	8,659	7,295
Total trade and other payables	**19,237**	**18,559**

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

	2022 $'000	2021 $'000
Cost		
Opening balance at 1 July	**68,202**	**58,169**
Additions	10,203	10,033
Closing balance at 30 June	**78,405**	**68,202**
Accumulated depreciation and impairment losses		
Opening balance at 1 July	**(43,262)**	**(39,058)**
Depreciation for the year	(4,749)	(4,204)
Closing balance at 30 June	**(48,011)**	**(43,262)**
Carrying amount		
At 1 July (Opening balance)	24,940	19,111
At 30 June (Closing balance)	**30,394**	**24,940**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

2.4 Plant and equipment (continued)

Capital commitments

Expenditure contracted for but not recognised as liabilities:

	2022 $'000	2021 $'000
Capital plant and equipment	13,598[1]	613[1]

[1] 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.

2.5 Right of Use Assets

Leases as lessee

$'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**

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2.5 Right of Use Assets (continued)

$'000	2021		
	Buildings	Equipment	Total
Cost			
Opening balance at 1 July	57,705	1,770	59,475
Additions / modifications	12,397	-	12,397
Disposals	(1,780)	-	(1,780)
Closing balance at 30 June	**68,322**	**1,770**	**70,092**
Accumulated depreciation			
Opening balance at 1 July	(22,566)	(395)	(22,961)
Depreciation for the year	(6,323)	(176)	(6,499)
Disposals	1,718	-	1,718
Closing balance at 30 June	**(27,171)**	**(571)**	**(27,742)**
Carrying amount			
At 1 July (Opening balance)	35,139	1,375	36,514
At 30 June (Closing balance)	**41,151**	**1,199**	**42,350**

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.

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.

	2022 $'000	2021 $'000
Amounts recognised in profit and loss		
Depreciation on right of use assets	7,605	6,499
Interest on lease liabilities	1,720	1,386
Expenses relating to low value assets	73	89
Amounts recognised in statement of cash flows		
Payments of lease liabilities	8,634	7,569

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

2.5 Right of Use Assets (continued)

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 $5.9 million.

2.6 Intangible assets

$'000	Goodwill	Software	Trademark	Total
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**	**258,893**
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**
2021				
Net book value				
Balance at 1 July 2020	233,169	8,113	19,845	261,127
Amortisation expense	-	(1,854)	-	(1,854)
Balance at 30 June 2021[1]	**233,169**	**6,259**	**19,845**	**259,273**
At 30 June 2021				
Cost	233,169	12,039	19,845	267,060
Accumulated amortisation and impairment losses	-	(5,780)	-	(7,787)
Balance at 30 June 2021[1]	**233,169**	**6,259**	**19,845**	**259,273**

[1] 30 June 2021 has been restated due to the IFRS Interpretations Committee decision in relation to accounting for Software as a Service (refer to note 6.2).

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 eight years. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

2.6 Intangible assets (continued)

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 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

2.6 Intangible assets (continued)

The following CGUs were tested for impairment during the year:

	2022 $'000	2021 $'000
Goodwill and trademark allocated to:		
Australia	219,030	219,030
Ultrasound	28,232	28,232
International	5,752	5,752
	253,014	**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 10.5% (FY21: 10.4%) for the Australian CGU, 10.5% (FY21: 10.4%) for the Ultrasound CGU and 11.5% (FY21: 11.1%) for the International CGU was applied in determining the recoverable amount. The discount rate and related risk factors also had regard to the current COVID-19 environment.

- Cash flow forecasts are based on the Board-approved FY23 budget, projected for four years plus a terminal value. The FY23 budget reflects management's best estimate of forecast operating performance having regard to the IVF markets in Australia and Malaysia, anticipated ultrasound activity as the business emerges from COVID-19 impacted operational challenges and economic uncertainties during and post the COVID-19 pandemic.

- A long-term growth rate into perpetuity of 3.0% (FY21: 2.5%) 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 2022

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
3.2 Share-based payments
3.3 Key management personnel

3.1 Employee benefits

	2022 $'000	2021 $'000
Current liability		
Long service leave	5,305	5,483
Annual leave	5,562	5,227
Total current employee benefits	**10,867**	**10,710**
Non current liability		
Long service leave	1,432	1,239
Total non current employee benefits	**1,432**	**1,239**
Total employee benefits provision	**12,299**	**11,949**

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

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

3.2 Share-based payments (continued)

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
(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
(2019 Plan) 20 December 2018	EPS - Subject to meeting certain EPS hurdles and 3 year service period to 30 June 2021 TSR - Subject to Total Shareholder Return hurdles and a 3 year service period to the 11th trading day after the FY21 results announcement

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

3.2 Share-based payments (continued)

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:

	2022	2021	2020	2019
Fair value at grant date (EPS condition)	$0.93	$0.61	$0.94	$1.00
Fair value at grant date (TSR condition)	$0.49	$0.32	$0.46	$0.45
Share price at grant date	$0.93	$0.62	$0.94	$1.00
Expected volatility – Monash IVF	40%	40%	35%	30%
Expected volatility – ASX 300 Healthcare Index	16%	16%	15%	15%
Expected life (years)	6	6	6	6
Expected dividends	0.00%	0.00%	6.0%	6.0%
Risk free interest rate (based on government bonds)	0.95%	0.13%	0.83%	1.88%

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.

Reconciliation of outstanding performance rights

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

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
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.

2021 Grant Date	Expiry Date	Balance at 1 July 2020	Granted during the year	Lapsed during the year	Forfeited during the year	Vested during the year	Balance at 30 June 2021
29 Jan 2018	30 June 2020	47,605	-	(47,605)[1]	-	-	-
20 Dec 2018	30 June 2021	134,531	-	(94,172)[2]	-	-	40,359
16 Oct 2019	30 June 2022	368,012	-	-	-	-	368,012
16 Oct 2020	30 June 2023	-	901,521	-	-	-	901,521
		550,148	**901,521**	**(141,777)**	**-**	**-**	**1,309,892**

(1) TSR vesting conditions for performance rights granted in FY18 were not satisfied therefore these rights lapsed.
(2) EPS vesting conditions for performance rights granted in FY19 were not satisfied therefore these rights lapsed

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

3.3 Key management personnel

Compensation	2022 $	2021 $
Short-term employee benefits	2,127,923	2,483,141
Post-employment benefits	138,639	128,914
Share-based payments	250,640	114,476
Total key management personnel compensation	**2,517,202**	**2,726,531**

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 2022

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
4.2 Financial risk management
4.3 Borrowings
4.4 Net finance costs
4.5 Cash and cash equivalents

4.1 Share capital and reserves

	Number of shares	$'000
Opening balance at 1 July 2021	389,634,840	506,786
Closing balance at 30 June 2022	**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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

4.1 Share capital and reserves (continued)

Share option reserve

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

Hedge reserve

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

Foreign currency translation reserve

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

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 2022		30 June 2021	
	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) Escrowed shares
Doctors [1] [2]	13.8	3.5%	14.3	3.7%
Sydney Ultrasound for Women[3]	1.2	0.3%	1.2	0.3%
Total	**15.0**	**3.8%**	**15.5**	**4.0%**

(1) FY22 Includes 1.0m shares subject to escrow held by Richard Henshaw (Executive Director) (FY21:1.0m shares)

(2) Doctors

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

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

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

4.1 Share capital and reserves (continued)

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.

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.

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

All shares issued to the vendors of SUFW are escrowed such that 53.3% of the shares issued 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

4.2 Financial risk management (continued)

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

Liquidity risk

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

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

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.

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)**

2021	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	1,629	(1,629)	(1,629)	-	-
Trade and other payables	18,559	(18,559)	(18,559)	-	-
Lease liabilities	44,359	(48,704)	(6,412)	(27,321)	(14,971)
Contingent consideration	1,833	(1,833)	(1,205)	(628)	-
	66,380	**(70,725)**	**(27,805)**	**(27,949)**	**(14,971)**

Foreign exchange risk

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

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

4.2 Financial risk management (continued)

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:

	2022 $'000	2021 $'000
Fixed rate instruments		
Financial assets	967	1,754
Financial liabilities	(67,466)	(44,359)
	(66,499)	**(42,605)**
Variable rate instruments		
Financial assets	6,752	7,007
Financial liabilities	(9,764)	(1,629)
	(3,012)	**5,378**

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 $30,120 (FY21: $53,780). 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.

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

	2022		2021	
$'000	Limit	Utilised	Limit	Utilised
Syndicated Debt facility	40,000	10,000	40,000	500
Working capital facility[2]	10,000	-	5,000	1,129
Accordion facility[1]	40,000	-	40,000	-
Total loan facilities	**90,000**	**10,000**	**85,000**	**1,629**
Borrowings				
Borrowings		10,000		1,629
Capitalised finance facility fees		(236)		-
Total borrowings		**9,764**		**1,629**

[1] An un-committed $40m accordion facility for acquisition and capital expenditure purposes.
[2] In December 2021, the Group increased the size of its working capital facility to $10m.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

4.3 Borrowings (continued)

In December 2021, the Group amended and extended the syndicated debt facility, working capital facility and accordion facility with a maturity date of December 2024. 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 2022, the Group is compliant with its financial undertakings.

As at 30 June 2022, the Group had $3,488,999 of bank guarantees in place (FY21: $3,165,022).

Reconciliation of movements of liabilities arising from financing activities

$'000	Balance at 1 July 2021	Additions	Principal repayments	Other	Balance at 30 June 2022
Loans	1,629	26,500	(18,129)	(236)[1]	9,764
Lease liabilities	44,359	31,790	(8,683)	-	67,466
Total interest bearing loans and borrowings	45,988	58,290	(26,812)	(236)	77,230

[1] Capitalised bank fees following amendment and extension to the Syndicated Debt Facility.

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.

4.4 Net Finance Costs

	2022 $'000	2021 $'000
Finance income		
Interest income	4	1
Finance costs		
Interest expense	377	725
Amortisation of borrowing costs[1]	54	341
Interest on lease liabilities	1,720	1,386
Total finance costs	**2,151**	**2,452**
Net finance costs	**2,147**	**2,451**

[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 2022

4.5 Cash and cash equivalents

	2022 $'000	2021 $'000
Cash at bank	6,907	7,007
Short-term bank deposits	967	1,754
Total cash and cash equivalents	**7,874**	**8,761**

Reconciliation of profit after income tax to net cash inflow from operating activities	2022 $'000	2021 $'000 **Restated** [1]
Profit for the period	18,502	25,687
Adjustments:		
Depreciation and amortisation	14,788	12,557
Net finance cost included in financing activities	427	1,065
Provision for Fertility Solutions Earn-out	395	678
Provision for expected credit losses	15	84
Acquisition, Lease Accounting and Other	3,191	649
Operating profit before changes in working capital and provisions	**37,318**	**40,720**
Change in net operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(2,702)	640
(Increase)/decrease in inventory	(1,037)	(268)
Increase/(decrease) in trade and other payables	678	(2,140)
Increase/(decrease) in provisions and employee benefits	350	1,470
Increase/(decrease) in income and deferred taxes	(2,718)	3,557
Net cash from operating activities	**31,889**	**43,979**

[1] 30 June 2021 has been restated due to the IFRS Interpretations Committee decision in relation to accounting for Software as a Service (refer to note 6.2).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

Section 5
Our Business Portfolio

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

5.1 Controlled entities

5.2 Investments accounted for using the equity method

5.3 Parent equity

5.4 Deed of cross guarantee

5.1 Controlled entities

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

Controlled entities	Place of business /country	Ownership interest 2022	Ownership interest 2021
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	Australia	57.4%	57.4%

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

5.1 Controlled entities (continued)

Controlled entities	Place of business /country	Ownership interest 2022	Ownership interest 2021
Gold Coast Ultrasound for Women Pty Ltd	Australia	51%	51%
Monash IVF Asia Pte Ltd	Singapore	90%	90%
Monash IVF South Malaysia Pte Ltd	Malaysia	62%	62%
Pt Mitra Kasih Medikatama	Indonesia	54%	-%

5.2 Investments accounted for using the equity method

	Principal Activity	Ownership Interest %		Share of Net Profit/Loss $'000	
Name of company		2022	2021	2022	2021
Compass Fertility	Fertility Services	25%	25%	243	55
Pt Mitra Bryan Indonesia	Fertility Services	37%	37%	634	600

5.3 Parent entity

As at 30 June 2022 and throughout the financial year ending on that date, the parent company of the Group was Monash IVF Group Limited.

Results of parent entity	2022 $'000	2021 $'000 Restated (1)
Profit after tax	15,470	13,977
Other comprehensive income	-	-
Total comprehensive income	**15,470**	**13,977**
Financial position of parent entity at year end		
Current assets	-	-
Total assets	528,184*	527,537*
Current liabilities	1,294	6,006
Total liabilities	8,441	6,511
Net assets	**519,743**	**521,026**
Total equity of the parent entity comprising of:		
Share capital	506,786	506,786
Retained earnings	12,957	14,240
Total equity	**519,743**	**521,026**

*Includes Intercompany balances with its subsidiaries, as at 30 June 2022, these balances are not expected to be settled within twelve months.

(1) 30 June 2021 has been restated due to the IFRS Interpretations Committee decision in relation to accounting for Software as a Service (refer to note 6.2).

Expenditure contracted for but not recognised as liabilities

Parent Entity	2022 $'000	2021 $'000
Capital plant and equipment	13,598	613

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 2022

5.4 Deed of cross guarantee

The below listed entities are parties to a Deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (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 2022

5.4 Deed of cross guarantee (continued)

Extract of the statement of profit or loss and other comprehensive income	2022 $'000	2021 $'000 Restated (1)
Profit before tax	24,128	28,868
Income tax expense	(6,840)	(9,351)
Net profit after tax	**17,288**	**19,517**
Summary of movements in retained earnings		
Opening balance at 1 July	(106,582)	(117,917)
Profit for the period	17,288	19,517
Dividends paid/declared	(16,753)	(8,182)
Closing balance at 30 June	**(106,047)**	**(106,582)**
Statement of financial position		
Current assets		
Cash and cash equivalents	5,200	5,629
Trade and other receivables	11,956	8,931
Inventory	5,015	4,038
Total current assets	**22,171**	**18,598**
Non current assets		
Investment in subsidiaries	12,967	13,174
Trade and other receivables	100	778
Plant and equipment	28,401	23,187
Right of use assets	61,372	42,321
Deferred tax asset	11,211	11,251
Intangible assets	252,746	253,521
Total non current assets	**366,797**	**344,232**
Total assets	**388,968**	**362,830**
Current liabilities		
Trade and other payables	26,061	25,562
Borrowings	-	1,629
Lease liabilities	6,023	5,749
Current tax payable	457	3,021
Contingent consideration	483	1,205
Employee benefits	10,853	10,695
Total current liabilities	**43,877**	**47,861**
Non current liabilities		
Borrowings	9,764	-
Lease liabilities	58,134	38,519
Deferred tax liability	11,836	11,674
Contingent consideration	488	628
Employee benefits	1,401	1,215
Total non current liabilities	**81,623**	**52,036**
Total liabilities	**125,500**	**99,897**
Net assets	**263,468**	**262,933**
Equity		
Contributed equity	506,786	506,786
Reserves	(137,271)	(137,271)
Retained earnings	(106,047)	(106,582)
Total equity	**263,468**	**262,933**

As at 30 June 2022, the Deed of cross guarantee Group has a net current asset deficiency of $21,706,000 (FY21: $29,263,000). Refer to the basis of preparation note in relation to going concern considerations.

(1) 30 June 2021 has been restated due to the IFRS Interpretations Committee decision in relation to accounting for Software as a Service (refer to note 6.2).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

Section 6
Other disclosures

6.1 Auditors' remuneration
6.2 Comparative Balances
6.3 Events occurring after the reporting period
6.4 Commitment and contingencies
6.5 Reporting entity
6.6 Basis of preparation
6.7 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:

	2022 $	2021 $
Audit services - KPMG		
Audit and review of financial statements	295,000	273,500
Other services - KPMG		
Taxation services	134,750	128,650
Other auditors (Non KPMG)		
Audit and review of financial statements	22,339	10,600
Total services	**452,089**	**412,750**

6.2 Comparative Balances

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRS IC) issued two final agenda decisions which impact Software-as-a-Service (SaaS) arrangements:

- Customer's right to receive access to the supplier's software hosted on the cloud (March 2019) – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- Configuration or customisation costs in a cloud computing arrangement (April 2021) – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over the period the expenditure is expensed.

The Group's accounting policy has historically been to capitalise all costs related to SaaS arrangements as intangible assets in the Statement of Financial Position. The adoption of the above agenda decisions has resulted in a reclassification of these intangible assets to either a prepaid asset in the Statement of Financial Position and/or recognition as an expense in the Statement of Comprehensive Income, impacting both the current and/or prior periods presented.

As a result, Monash IVF has amended its accounting policy to align with the IFRS IC agenda decision and retrospectively adjusted these intangible assets in the statement of financial position. The impact of this change in accounting policy for the comparative reporting period and the beginning of the earliest period presented is shown below. All adjustments outlined below relates to the Australian segment.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

6.2 Comparative Balances (continued)

Consolidated statement of financial position

1 July 2021	Reported $'000	Adjusted $'000	Restated $'000
Assets			
Intangible asset	259,976	(703)	259,273
Net deferred tax liability	(769)	211	(558)
Total Assets	**259,207**	**(492)**	**258,715**
Equity			
Profit reserves	59,501	(492)	59,009
Total Equity	**59,501**	**(492)**	**59,009**

1 July 2020	Reported $'000	Adjusted $'000	Restated $'000
Assets			
Intangible asset	262,165	(1,073)	261,092
Net deferred tax liability	(1,551)	322	(1,229)
Total Assets	**260,614**	**(751)**	**259,863**
Equity			
Profit reserves	42,535	(751)	41,784
Total Equity	**42,535**	**(751)**	**41,784**

Consolidated statement of comprehensive income

Period ended 30 June 2021	Reported $'000	Adjusted $'000	Restated $'000
IT and communications expense	(4,104)	(75)	(4,179)
Amortisation expense	(2,189)	335	(1,854)
Profit before tax	**35,940**	**260**	**36,200**
Income tax expenses	(10,435)	(78)	(10,513)
Profit for the period	**25,505**	**182**	**25,687**
Total comprehensive income for the year	**25,272**	**182**	**25,454**
Earnings per share			
Basic	6.5		6.5
Diluted	6.4		6.5

Consolidated statement of cashflows

Period ended 30 June 2021	Reported $'000	Adjusted $'000	Restated $'000
Payments to suppliers and employees	(139,149)	(75)	(139,224)
Net cash from operation activities	**44,054**	**(75)**	**43,979**
Payments for property, plant and equipment and intangibles	(10,033)	75	(9,958)
Net cash from investing activities	**(11,287)**	**75**	**(11,212)**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

6.3 Events occurring after the reporting period

On 18 May 2022, Monash IVF Group Limited announced entry into a binding sale agreement for the acquisition of PIVET Medical Centre ("PIVET") which is a Perth, Western Australia and Cairns, Queensland provider of fertility services and has nine fertility specialists. Monash IVF is acquiring PIVET by way of an asset sale and purchase for initial up-front cash consideration of $9.4 million on a debt free basis, with the potential of additional earn out payments over a one to two year period from completion. The financial effects of this transaction has not be recognised at 30 June 2022. The operating results and assets and liabilities of the acquired Business will be consolidated from the completion date expected to be during FY2023, subject to certain conditions precedent.

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. Monash IVF is acquiring ART Associates Queensland by way of an asset sale and purchase for initial cash consideration of $3.9m on a debt free basis, with the potential of additional earn out payments over a five to seven year period from completion. The financial effects of this transaction has not be recognised at 30 June 2022. The operating results and assets and liabilities of the acquired Business will be consolidated from the completion date expected to be during FY2023, subject to certain conditions precedent.

On 26 August 2022, a fully franked final dividend of 2.2 cents per share was declared. The record date for the dividend is 9 September 2022 and the payment date for the dividend is 7 October 2022.

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.

6.4 Commitment and contingencies

As announced to the ASX on 23 December 2020, Monash IVF Group became aware that it and certain 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 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.

The Group has filed the defence in accordance with the Court's directions. The Group has notified its insurers of the claim. The Group has provided for associated costs expected to be incurred in defending the claim. 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

6.5 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, 21-31 Goodwood Street, Richmond, Victoria and is limited by shares. The consolidated financial statements comprise the Company and its controlled entities (collectively 'the consolidated entity', 'Monash Group' or 'Group').

6.6 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 26 August 2022.

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 2022 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 2022

6.6 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

6.6 Basis of preparation (continued)

(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 amounts is payable is dependent to the future financial performance of the business that has been acquired.

(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 2022, the group has a net current asset deficiency of $12,531,000 (FY21: $18,579,000). 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.

6.7 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:

- Reference to Conceptual Framework (Amendments to AASB 3)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to AASB 116)
- Classification of Liabilities as Current or Non-current (Amendments to AASB 101)
- Recognising deferred tax on leases (Amendments to AASB 112)