

## Independent Auditor's Report

This is the original version of the Audit Report over the Financial Statements signed by the Directors on 24 August 2020. Page references should be read as follows to reflect the correct references now that the Financial Statements have been presented in the context of the Annual Report in its entirety: page references to our Report on the Remuneration Report as set out in the Director's Report, should be updated to read pages 41 to 55.



### Independent Auditor's Report

To the shareholders of Monash IVF Group Limited

#### Report on the audit of the Financial Report

##### Opinion

We have audited the **Financial Report** of Monash IVF Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2020
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

##### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Monash IVF Group Limited, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

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

Liability limited by a scheme approved under Professional Standards Legislation.

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### Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

### Goodwill (\$233.2 million)

#### Refer to Note 2.6 of the Financial Report

#### The key audit matter

At 30 June 2020 the Group's balance sheet includes goodwill, contained within three cash generating units (CGUs) – Australian IVF, International IVF and Ultrasound.

A key audit matter for us was the Group's annual testing of goodwill for impairment, and the estimation uncertainty continuing from the business disruption impact of the COVID-19 global pandemic. We focused on the significant forward-looking assumptions the Group applied in its value in use models, including:

- Forecast cash flows, growth rates and terminal growth rates in light of the changes in market conditions, including the impact from COVID-19, that have impacted the actual and expected performance of the relevant CGUs. These conditions impact our consideration of forecasting risk; and
- Discount rate – these vary according to the conditions and environment the specific CGU is subject to from time to time.

The Group uses a range of internal and external sources as inputs to the model assumptions. Modelling, including those containing judgemental allocations of corporate costs to CGUs, that use forward-looking assumptions can be prone to greater risk for potential bias, error and inconsistent application especially in this current environment. Where the Group has not met prior year forecasts in relation to a specific CGU we factor this into our assessment of

#### How the matter was addressed in our audit

Our procedures included:

- We considered the appropriateness of the Group's value in use methodology to perform the annual test of goodwill for impairment against the requirements of the accounting standards;
- We assessed the Group's underlying methodology and documentation for the allocation of corporate costs to the respective CGUs. We examined the forecast cash flows contained in the value in use model for consistency with our understanding of the business and the criteria in the accounting standards;
- We met with management and those charged with governance to understand the impact of COVID-19 to the Group and impact of government response programs to the actual and forecast results;
- We assessed the integrity of the value in use models used, including the accuracy of the underlying calculations formulas;
- We compared the forecast cash flows contained in the value in use models to revised forecasts reflecting the COVID-19 expected recovery rate approved by the Board;
- We assessed the accuracy of previous Group forecasting to inform our evaluation of forecasts included in the value in use models. We applied increased scepticism to current period CGU forecasts when there was a shortfall in performance against previous forecasts;
- We considered the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or

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forecast assumptions. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.

In addition to the above, the carrying amount of the net assets of the Group exceeded the Group's market capitalisation at year end, increasing the possibility of goodwill being impaired. This further increased our audit effort in this key audit area.

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.

inconsistency in application and to identify those CGUs at higher risk of impairment and to focus our further procedures;

- We challenged the Group's forecast cash flow and growth assumptions in light of the expected continuation of significant uncertainties arising from the COVID-19 global pandemic. We compared key events to the Board approved plan and strategy. We compared forecast growth rates and terminal growth rates to authoritative published information regarding industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, business and customers and our industry experience;
- We checked the consistency of growth rates to the Group's revised plans and our experience regarding the feasibility of these plans in the industry in which it operates and current economic environment;
- We assessed the Group's explanation of differences between the year-end market capitalisation and the carrying amount of the net assets based on our understanding of the business and the industry it operates in;
- Working with our valuation specialists, we independently developed a comparable discount rate range from publicly available market data for comparable entities and adjusted by specific risk factors to the Group and the industry it operates in; and
- We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

### Other Information

Other Information is financial and non-financial information in Monash IVF Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report, Appendix 4E, Corporate Governance Statement and FY20 Results Presentation. The Chairman's Report, CEO/Managing Director's Report, CFO Report, Group Medical Director's Report, Scientific Directors' Report and Shareholder Information are expected to be made available to us after the date of the Auditor's report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception

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of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

### Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar2\\_2020.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2_2020.pdf). This description forms part of our Auditor's Report.

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### Report on the Remuneration Report

#### Opinion

In our opinion, the Remuneration Report of Monash IVF Group Limited for the year ended 30 June 2020, complies with Section 300A of the Corporations Act 2001.

#### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001.

#### Our responsibilities

We have audited the Remuneration Report included in pages 19 to 33 of the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

BW Szentirmay  
Partner

Melbourne  
24 August 2020