



MYOB GROUP LIMITED ABN 61 153 094 958

APPENDIX 4D – HALF-YEAR REPORT GIVEN TO ASX UNDER LISTING RULE 4.2A.3 FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2018

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| 1 | Details of the reporting period |
| 2 | Results for announcement to the market |
| 3 | Net tangible assets per security |
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1. DETAILS OF THE REPORTING PERIOD

Reporting period: 6-month period ended 30 June 2018

Previous corresponding period: 6-month period ended 30 June 2017

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | Up/down | % change | 2018 \$'000 | 2017 \$'000 |
|--|---------|----------|----------------|----------------|
| Revenue from ordinary activities | Up | 7.10 | 218,466 | 203,982 |
| Profit from ordinary activities after tax for the period attributable to members | Down | (10.64) | 25,278 | 28,289 |
| Profit for the period attributable to members | Down | (10.64) | 25,278 | 28,289 |

| Dividends per security | Cents per security | Franked amount per security (cents) |
|---|--------------------|-------------------------------------|
| Interim 2017 dividend per security (paid 19 October 2017) | 5.75 | Nil |
| Final 2017 dividend per security (paid 5 April 2018) | 5.75 | Nil |
| Interim 2018 dividend per security declared | 5.75 | Nil |

| Interim 2018 dividend dates | |
|-----------------------------|-----------------|
| Ex-dividend date | 4 October 2018 |
| Record date | 5 October 2018 |
| Payment date | 18 October 2018 |

3. NET TANGIBLE ASSETS PER SECURITY

| | % change | 30 June 2018 cents per security | 30 June 2017 cents per security |
|----------------------------------|----------|------------------------------------|------------------------------------|
| Net tangible assets per security | (8.33) | (0.78) | (0.72) |

Net tangible assets are defined as the net assets of MYOB Group Limited less intangible assets. A large proportion of the Group's assets are intangible in nature, predominantly goodwill. These assets are excluded from the calculation of net tangible assets per security which results in the negative outcome shown above.

4. OTHER INFORMATION

MYOB acquired intellectual property through the acquisition of the following entities during the half-year period:

- On 20 February 2018 MYOB Group acquired 100% of MyAdvisor Pty Ltd for \$2.5 million
- On 27 February 2018 MYOB Group acquired 100% of CompanyIQ Pty Ltd for \$2.2 million

Refer to the attached half-year interim financial report on page 13 (Note 7).

Disposal dates of non-operating entities during the period:

- Ace Payroll Intermediary Limited – 18 May 2018
- Ace Payroll Plus Limited – 18 May 2018
- Banklink Limited – 18 May 2018
- Greentree FRL Limited – 18 May 2018
- Greentree Modules Limited – 18 May 2018
- Greentree Hei Matau Holdings Limited – 18 May 2018
- Information Management Services Limited – 18 May 2018
- PayGlobal Limited – 18 May 2018

Details of any dividend or distribution reinvestment plans in operation: N/A

Details of associates and joint venture entities: The Group holds a 39.5% interest in Kounta and a 30% interest in OnDeck. Refer attached half-year interim financial report on page 12 (Note 6).

Any other information required pursuant to ASX Listing Rule 4.2A.3 not contained in this Appendix 4D is found in the attached half-year interim financial report.



MYOB Group Limited

ABN 61 153 094 958
ACN 153 094 958

Interim Financial Report

For the half-year ended 30 June 2018

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BASIS OF PREPARATION

MYOB Group Limited is a for-profit entity for the purpose of preparing financial statements.

These financial statements:

- are general purpose financial statements;
- are for the consolidated entity consisting of MYOB Group Limited and its subsidiaries;
- has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*;
- comply with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- have been prepared on a going concern basis using historical costs;
- are presented in Australian dollars with all values rounded to the nearest thousand dollars, or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission Corporations Instrument 2016/191; and
- apply significant accounting policies consistently to all periods presented, unless otherwise stated.

Directors' Report

The directors present their report on the consolidated entity (referred to as 'the Group') consisting of MYOB Group Limited (Parent entity) and the entities it controlled at the end of, or during, the half-year ended 30 June 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the half-year were the development and publishing of software and provision of business solution and transaction services for small and medium enterprises, including accountants in public practice.

CORPORATE INFORMATION

MYOB Group Limited is a company limited by shares that is incorporated and domiciled in Australia. The company's registered office and principal place of business is Level 3, 235 Springvale Road, Glen Waverley, Victoria.

DIRECTORS

The following persons were directors of the Group during the half-year and up to the date of this report:

| | |
|----------------|--|
| Justin Milne | Independent Non-Executive Director, Chairman |
| Tim Reed | Executive Director, Chief Executive Officer |
| Andrew Stevens | Independent Non-Executive Director |
| Anne Ward | Independent Non-Executive Director |
| Fiona Pak-Poy | Independent Non-Executive Director |
| Craig Boyce | Non-Executive Director |
| Edward Han | Non-Executive Director |

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The Group has reported a net profit after tax of \$25.3 million for the half-year ended 30 June 2018 (30 June 2017: \$28.3 million). Statutory earnings before income tax, net finance expenses, depreciation and amortisation increased 1.2 per cent to \$88.2 million for the half-year ended 30 June 2018 (30 June 2017: \$87.1 million).

The increase in operating revenue reported for half-year period of 7.1 per cent to \$218.5 million was attributable to subscriber and Average Revenue per Paying User growth in the underlying business.

DIVIDENDS

Subsequent to the half-year ended 30 June 2018, the Directors declared an unfranked dividend of 5.75 cents per share on 24 August 2018, to be paid on 18 October 2018. The record date for entitlement to this dividend is 5 October 2018.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There was no other change in the state of affairs of the Group during the half-year ended 30 June 2018.

EVENTS OCCURRING AFTER REPORTING DATE

In the opinion of the Directors, there are no matters or circumstances which have arisen between 30 June 2018 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Directors' Report

ROUNDING OF AMOUNTS

The Group is of a kind referred to in the Australian Securities and Investments Commission Class Order 2016/191 dated 24 March 2016. In accordance with that Class Order, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to read 'Justin Milne'.

Justin Milne
Chair

A handwritten signature in black ink, appearing to read 'Tim Reed'.

Tim Reed
Executive Director and Chief Executive Officer

Sydney
24 August 2018



Auditor's Independence Declaration

As lead auditor for the review of MYOB Group Limited for the half-year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of MYOB Group Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Nadia Carlin'.

Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
24 August 2018

PricewaterhouseCoopers, ABN 52 780 433 757

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Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2018

| | NOTE | Half-year ended 30 June | |
|---|------|-------------------------|----------------|
| | | 2018 \$'000 | 2017 \$'000 |
| Revenue | 1 | 218,466 | 203,982 |
| Expenses | | | |
| Staff related expenses | | (76,716) | (69,474) |
| General office and administration | | (19,320) | (16,976) |
| Direct materials | | (8,892) | (9,023) |
| Royalties | | (1,612) | (1,748) |
| Reseller commissions | | (8,069) | (6,730) |
| Marketing expenses | | (11,148) | (10,384) |
| Other expenses | | (4,494) | (2,515) |
| Depreciation and amortisation | | (43,747) | (38,928) |
| Net finance costs | | (7,684) | (6,875) |
| Total expenses | | (181,682) | (162,653) |
| Share of losses from equity accounted investments | 6 | (1,639) | (1,266) |
| Profit before income tax | | 35,145 | 40,063 |
| Income tax expense | | (9,867) | (11,774) |
| Profit after income tax attributable to owners of MYOB Group Limited | | 25,278 | 28,289 |
| Other comprehensive income | | | |
| <i>Items that may be classified to income or loss:</i> | | | |
| Foreign currency translation | | 203 | (260) |
| Other comprehensive income/(loss) for the period, net of tax | | 203 | (260) |
| Total comprehensive income for the period attributable to owners of MYOB Group Limited | | 25,481 | 28,029 |
| | NOTE | 2018 Cents | |
| | | 2018 Cents | 2017 Cents |
| Earnings per share attributable to ordinary equity holders of MYOB Group Limited | | | |
| Basic earnings per share | 2 | 4.25 | 4.72 |
| Diluted earnings per share | 2 | 4.25 | 4.72 |

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 30 June 2018

| | NOTE | 30 June 2018 \$'000 | 31 December 2017 \$'000 |
|--------------------------------------|------|------------------------|----------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 16,785 | 54,779 |
| Trade and other receivables | | 20,983 | 18,531 |
| Inventories | | - | 83 |
| Funds held on behalf of customers | | 64,207 | 12,720 |
| Other current assets | | 18,687 | 13,399 |
| Total current assets | | 120,662 | 99,512 |
| Non-current assets | | | |
| Receivables | | 1,377 | 1,670 |
| Equity accounted investments | 6 | 8,906 | 7,545 |
| Other investments | | 8,210 | 8,210 |
| Property, plant and equipment | | 29,985 | 25,468 |
| Intangible assets | | 1,247,727 | 1,256,613 |
| Other non-current assets | | 1,509 | - |
| Total non-current assets | | 1,297,714 | 1,299,506 |
| Total assets | | 1,418,376 | 1,399,018 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 31,924 | 23,109 |
| Fund held on behalf of customers | | 64,207 | 12,720 |
| Unearned revenue | | 55,570 | 49,982 |
| Borrowings | 5 | 121 | 502 |
| Provisions | | 15,401 | 13,585 |
| Total current liabilities | | 167,223 | 99,898 |
| Non-current liabilities | | | |
| Borrowings | 5 | 422,610 | 432,484 |
| Provisions | | 6,769 | 6,030 |
| Deferred tax liabilities | | 20,275 | 16,185 |
| Total non-current liabilities | | 449,654 | 454,699 |
| Total liabilities | | 616,877 | 554,597 |
| Net assets | | 801,499 | 844,421 |
| EQUITY | | | |
| Contributed equity | 4 | 1,106,843 | 1,141,611 |
| Retained earnings | | (314,086) | (304,841) |
| Reserves | | 8,742 | 7,651 |
| Total equity | | 801,499 | 844,421 |

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2018

| | Issued capital \$'000 | Foreign currency translation reserve \$'000 | Share based payments reserve \$'000 | Undistributed profit reserve \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|--|-----------------------------|---|--|---|--------------------------------|------------------------|
| Balance at 1 January 2018 | 1,141,611 | 5,544 | 2,107 | - | (304,841) | 844,421 |
| Profit after income tax | - | - | - | - | 25,278 | 25,278 |
| Other comprehensive income, net of tax | - | 203 | - | - | - | 203 |
| Total comprehensive income for the period | - | 203 | - | - | 25,278 | 25,481 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Unified Incentive Plan (UIP) / Long Term Incentive Plan (LTIP) | - | - | 887 | - | - | 887 |
| Conversion of forfeited Treasury shares | 234 | - | - | - | - | 234 |
| Share buy back | (35,002) | - | - | - | - | (35,002) |
| Dividends | - | - | - | - | (34,522) | (34,522) |
| Balance at 30 June 2018 | 1,106,843 | 5,747 | 2,994 | - | (314,085) | 801,499 |
| Balance at 1 January 2017 | 1,141,423 | 7,871 | 1,457 | 60,000 | (356,212) | 854,539 |
| Profit after income tax | - | - | - | - | 28,289 | 28,289 |
| Other comprehensive loss, net of tax | - | (260) | - | - | - | (260) |
| Total comprehensive income/(loss) for the period | - | (260) | - | - | 28,289 | 28,029 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Long Term Incentive Plan (LTIP) | - | - | 650 | - | - | 650 |
| Dividends | - | - | - | - | (34,658) | (34,658) |
| Balance at 30 June 2017 | 1,141,423 | 7,611 | 2,107 | 60,000 | (362,581) | 848,560 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half-year ended 30 June 2018

| | NOTE | Half-year ended 30 June | |
|---|------|-------------------------|---------------|
| | | 2018 \$000 | 2017 \$000 |
| Cash flows from operating activities | | | |
| Receipts from customers | | 245,662 | 230,971 |
| Payments to suppliers and employees | | (149,849) | (136,100) |
| Interest paid | | (6,517) | (6,835) |
| Income tax paid | | (4,561) | (3,678) |
| Interest received | | 350 | 442 |
| Net cash flows from operating activities | | 85,085 | 84,800 |
| Cash flows from investing activities | | | |
| Acquired software costs | | (1,745) | (2,406) |
| Investment in equity accounted investments | 6 | (3,000) | (3,000) |
| Purchase of property, plant and equipment | | (9,974) | (3,582) |
| Capitalised new product development | | (23,183) | (16,092) |
| Business acquisitions, net of cash acquired | 7 | (4,444) | (47,013) |
| Net cash flows used in investing activities | | (42,346) | (72,093) |
| Cash flows from financing activities | | | |
| Proceeds from on-market disposal of forfeited Treasury shares | | 234 | - |
| Debt transaction costs | | (1,911) | - |
| Repayment of borrowings | | (9,179) | - |
| Repayment of finance lease liabilities | | (381) | (212) |
| Share buyback by parent entity | 4 | (35,002) | - |
| Dividends paid by parent entity | 3 | (34,522) | (34,658) |
| Net cash flows used in financing activities | | (80,761) | (34,870) |
| Net decrease in cash and cash equivalents | | (38,022) | (22,163) |
| Cash and cash equivalents at beginning of period | | 54,779 | 61,434 |
| Effect of exchange rate changes on cash and cash equivalents | | 28 | (321) |
| Cash and cash equivalents at end of period | | 16,785 | 38,950 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the half-year ended 30 June 2018

PERFORMANCE

1 SEGMENT INFORMATION

Management has determined the Group's operating segments based on the reports reviewed by the Board (the Chief Operating Decision Maker). The Board analyses the Group's activities by operating segments which are organised and managed separately according to the nature of the customers they service with each segment offering different products and serving different markets. The Board reviews each of the operating segments down to contribution level for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profit or loss (segment result), which in certain respects, is presented differently from operating profit or loss in the Consolidated Financial Statements. There are no significant transactions between segments.

The operating segments and their respective types of products and services are disclosed below:

| Reportable segment | Principal activities |
|----------------------------------|--|
| Clients & Partners | Provides business management software to small and medium enterprises (SMEs) and accounting professionals in practice |
| Enterprise Solutions | Provides enterprise resource planning and human resource management software and services to medium and large enterprises |
| Operations & Service | Provides support, training and services to SMEs and accounting professionals in practice |
| Corporate (incl. R&D) | Provides internal support and shared services to MYOB's client-facing teams, including product research and development functions, in addition to holding the equity accounted investments |

Notes to the financial statements

For the half-year ended 30 June 2018

1 SEGMENT INFORMATION (CONTINUED)

| Half-year ended 30 June 2018 | Clients & Partners \$'000 | Enterprise Solutions \$'000 | Operations & Service \$'000 | Corporate (incl. R&D) \$'000 | Total \$'000 |
|--|------------------------------|--------------------------------|--------------------------------|---------------------------------|-----------------|
| Revenue | | | | | |
| SME revenue | 135,609 | - | - | - | 135,609 |
| Practice revenue | 43,906 | - | - | - | 43,906 |
| Enterprise revenue | - | 33,745 | - | - | 33,745 |
| Payments revenue | 3,960 | - | - | - | 3,960 |
| Grant revenue | - | - | - | 1,246 | 1,246 |
| | 183,475 | 33,745 | - | 1,246 | 218,466 |
| Other profit and loss disclosures | | | | | |
| Direct materials, royalties and reseller commissions | 10,122 | 8,253 | 195 | 3 | 18,573 |
| Staff related | 23,871 | 7,646 | 15,908 | 29,291 | 76,716 |
| Marketing | 4,855 | 251 | 80 | 5,962 | 11,148 |
| General office and administration | 4,359 | 733 | 1,791 | 12,437 | 19,320 |
| Other expenses | - | - | - | 4,494 | 4,494 |
| Contribution | 140,268 | 16,862 | (17,974) | (50,941) | 88,215 |
| Share of losses from equity accounted investments | | | | | 1,639 |
| Depreciation and amortisation | | | | | 43,747 |
| Net finance costs | | | | | 7,684 |
| Profit before income tax | | | | | 35,145 |

| Half-year ended 30 June 2017 | Clients & Partners \$'000 | Enterprise Solutions \$'000 | Operations & Service \$'000 | Corporate (incl. R&D) \$'000 | Total \$'000 |
|--|------------------------------|--------------------------------|--------------------------------|---------------------------------|-----------------|
| Revenue | | | | | |
| SME revenue | 126,363 | - | - | - | 126,363 |
| Practice revenue | 43,494 | - | - | - | 43,494 |
| Enterprise revenue | - | 30,594 | - | - | 30,594 |
| Payments revenue | 2,262 | - | - | - | 2,262 |
| Grant revenue | - | - | - | 1,269 | 1,269 |
| | 172,119 | 30,594 | - | 1,269 | 203,982 |
| Other profit and loss disclosures | | | | | |
| Direct materials, royalties and reseller commissions | 10,378 | 6,935 | 183 | 5 | 17,501 |
| Staff related | 19,146 | 6,955 | 14,476 | 28,897 | 69,474 |
| Marketing | 4,964 | 390 | 59 | 4,971 | 10,384 |
| General office and administration | 3,876 | 699 | 1,356 | 11,045 | 16,976 |
| Other expenses | - | - | - | 2,515 | 2,515 |
| Contribution | 133,755 | 15,615 | (16,074) | (46,164) | 87,132 |
| Share of losses from equity accounted investments | | | | | 1,266 |
| Depreciation and amortisation | | | | | 38,928 |
| Net finance costs | | | | | 6,875 |
| Profit before income tax | | | | | 40,063 |

Notes to the financial statements

For the half-year ended 30 June 2018

2 EARNINGS PER SHARE

| | Half-year ended 30 June | |
|---|-------------------------|-------------|
| | 2018 | 2017 |
| Profit after income tax attributable to owners of MYOB Group Limited (\$'000) | 25,278 | 28,289 |
| WANOS ⁽¹⁾ used in the calculation of basic EPS (shares) | 595,173,904 | 599,381,230 |
| WANOS ⁽¹⁾ used in the calculation of diluted EPS (shares) ⁽²⁾ | 595,173,904 | 599,381,230 |
| Basic EPS (cents per share) | 4.25 | 4.72 |
| Diluted EPS (cents per share) | 4.25 | 4.72 |

⁽¹⁾ Weighted average number of ordinary shares

⁽²⁾ Performance shares and Treasury shares were assessed as not being dilutive at reporting date

3 DIVIDENDS

Subsequent to the half-year ended 30 June 2018, the Directors declared an unfranked dividend of 5.75 cents per share on 24 August 2018, to be paid on 18 October 2018. The record date for entitlement to this dividend is 5 October 2018. The financial impact of the dividend of \$34,155,000 has not been recognised in these Consolidated Financial Statements.

The details in relation to dividends announced or paid since 1 January 2017 are set out below:

| | Payment date | Amount per share | Total dividend \$'000 |
|-----------------------|-----------------|------------------|-----------------------|
| 2016 Final dividend | 5 April 2017 | 5.75 cents | 34,658 |
| 2017 Interim dividend | 19 October 2017 | 5.75 cents | 34,645 |
| 2017 Final dividend | 5 April 2018 | 5.75 cents | 34,522 |

Notes to the financial statements

For the half-year ended 30 June 2018

CAPITAL STRUCTURE AND FINANCING

4 CONTRIBUTED EQUITY

| | Half-year ended 30 June 2018 | | Year ended 31 December 2017 | |
|---|---------------------------------|------------------|--------------------------------|------------------|
| | Number of shares ('000) | \$'000 | Number of shares ('000) | \$'000 |
| Ordinary shares | | | | |
| Balance at beginning of financial period | 605,531 | 1,141,611 | 599,381 | 1,141,423 |
| Shares granted under employee long-term incentive plans | - | - | 7,060 | - |
| Conversion from on-market sale of forfeited Treasury shares | - | 234 | - | 3,456 |
| Share buyback | (11,528) | (35,002) | (910) | (3,268) |
| Balance at end of financial period (including Treasury shares) | 594,003 | 1,106,843 | 605,531 | 1,141,611 |
| Less: Treasury shares | (5,974) | - | (6,040) | - |
| Balance at end of financial period (excluding Treasury shares) | 588,029 | 1,106,843 | 599,491 | 1,141,611 |

| Half-year ended 30 June 2018 | Number of shares ('000) |
|---|----------------------------|
| Treasury shares | |
| Balance at beginning of financial period | 6,040 |
| Disposal of forfeited Treasury shares | (66) |
| Balance at end of financial period | 5,974 |

5 BORROWINGS

| | Half-year ended 30 June 2018 \$'000 | Year ended 31 December 2017 \$'000 |
|------------------------------|---|--|
| Current - Secured | | |
| Finance leases | 121 | 502 |
| | 121 | 502 |
| Non-current – Secured | | |
| Bank loans ⁽¹⁾ | 424,864 | 433,332 |
| Unamortised borrowing costs | (2,254) | (848) |
| | 422,610 | 432,484 |
| Total borrowings | 422,731 | 432,986 |

⁽¹⁾ The Group's \$424.9 million (31 December 2017: \$433.3 million) bank debt is provided by a syndicate of five banks each holding between 15% and 24% (31 December 2017: 18% and 21%).

On 15 June 2018, the Group refinanced its existing bank debt and working capital facility with the same syndicate of banks. The loan facility consists of two commitments of \$256.1 million and \$228.5 million which become due in June 2021 and June 2023 respectively. Refinancing transaction costs have been capitalised in the Consolidated Balance Sheet and will be amortised through the Consolidated Statement of Comprehensive Income over the life of the facility.

Notes to the financial statements

For the half-year ended 30 June 2018

5 BORROWINGS (CONTINUED)

The Group had access to the following borrowing facilities at the end of the reporting period:

| | Drawn | | Undrawn | | Total | |
|--------------------------|--|---|--|---|--|---|
| | Half-year ended 30 June 2018 \$'000 | Year ended 31 December 2017 \$'000 | Half-year ended 30 June 2018 \$'000 | Year ended 31 December 2017 \$'000 | Half-year ended 30 June 2018 \$'000 | Year ended 31 December 2017 \$'000 |
| Floating rate | | | | | | |
| Expiring within one year | 50 | - | - | 180,000 | 50 | 180,000 |
| Expiring beyond one year | 428,323 | 436,249 | 56,226 | 46,132 | 484,549 | 482,381 |
| | 428,373 | 436,249 | 56,226 | 226,132 | 484,599 | 662,381 |

The \$428.4 million currently drawn is comprised by \$424.9 million of borrowings and \$3.5 million of letters of credit provided to landlords of certain properties leased by the Group. The Group has \$56.2 million (31 December 2017: \$46.1 million) undrawn of its committed facility that may be drawn upon at any time.

GROUP STRUCTURE

6 EQUITY ACCOUNTED INVESTMENTS

The Group's ownership interest in equity accounted investments are listed below.

| Associate | Principal activity | Country of incorporation | Reporting date | 2018 % | 2017 % |
|----------------------------------|---------------------------------------|--------------------------|----------------|-------------|-----------|
| Kounta Holdings Pty Limited | Cloud-based Point of Sale system | Australia | 30 June | 39.5 | 39.5 |
| OnDeck Capital Australia Pty Ltd | Provider of finance to small business | Australia | 31 December | 30.0 | 30.0 |

No dividends were received from associates during the period.

Movement in carrying amount of investments in associates

| | Half-year ended 30 June 2018 \$'000 | Year ended 31 December 2017 \$'000 |
|---|---|--|
| At the beginning of the financial period | 7,545 | 6,898 |
| Increase in investment in associates ⁽¹⁾ | 3,000 | 3,000 |
| Share of losses after income tax | (1,639) | (2,353) |
| At the end of the financial period | 8,906 | 7,545 |

- ⁽¹⁾ On 5 April 2018, the Group made a \$3.0 million cash contribution to OnDeck Capital Australia Pty Ltd (OnDeck). All shareholders in OnDeck contributed proportionally in accordance with the terms outlined in the shareholder agreement and as such the Group's shareholding remained at 30 per cent.

Notes to the financial statements

For the half-year ended 30 June 2018

7 BUSINESS COMBINATIONS

MYOB acquired intellectual property through the acquisition of the following entities during the half-year period:

- On 20 February 2018 MYOB Group acquired 100% of MyAdvisor Pty Ltd for \$2.5 million
- On 27 February 2018 MYOB Group acquired 100% of CompanyIQ Pty Ltd for \$2.2 million

Details of the aggregated purchase consideration, the net assets acquired and goodwill are as follows:

| | \$'000 |
|-------------------------------------|--------------|
| Cash | 4,447 |
| Settlement of loan with acquiree | 256 |
| Total purchase consideration | 4,703 |

The fair value assets and liabilities recognised as a result of the acquisitions are as follows:

| | \$'000 |
|---|--------------|
| Cash and cash equivalents | 3 |
| Payables | (15) |
| Net identifiable liabilities acquired | (12) |
| Goodwill | 107 |
| Intellectual property – Commercialised software | 4,608 |
| Net assets acquired | 4,703 |

ITEMS NOT RECOGNISED IN THE FINANCIAL STATEMENTS

8 EVENTS OCCURRING AFTER REPORTING DATE

No matters or circumstances have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

Notes to the financial statements

For the half-year ended 30 June 2018

OTHER INFORMATION

9 BASIS OF PREPARATION

The Consolidated Financial Statements have been prepared on a going concern basis. At 30 June 2018, the Consolidated Balance Sheet reflected an excess of current liabilities over current assets of \$46.6 million. The directors are not aware of any uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

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

(a) New standards adopted as at 1 January 2018

A number of new or amended standards became applicable for the current reporting period and the Group has changed its accounting policies and made retrospective adjustments as a result of adopting the following standards:

- AASB 9 *Financial Instruments*, and
- AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 10. As previously disclosed, the Group has applied the full retrospective approach upon transition to AASB 15.

(b) Impact of standards issued but not yet applied by the entity

AASB 16 *Leases* will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts.

The Group will be required to recognise an asset and a financial liability for the majority of its property leases. In addition, the operating lease rental associated with these leases will no longer be recognised as an operating expense in the income statement, instead being replaced by depreciation of the lease asset and interest expense on the lease liability.

This is not expected to materially change the profit after tax over the duration of most leases, but will change EBITDA (which is one of the measures utilised by the Chief Operating Decision Maker to measure profitability and reward financial performance). An assessment of the impact of the change in accounting treatment is still to be performed.

To date, work has focused on the identification of the provisions of the standard which will most impact the Group and in conducting a detailed review of existing contracts and corresponding financial reporting impacts. Some of the commitments may be covered by the exemption for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

There are a number of transition options available upon adopting the new standard – the 'retrospective approach' and the 'modified retrospective approach'. The Group has not yet determined which transition approach to apply. The Group will report under the new leasing standard for the full year ending 31 December 2019 (interim financial report 30 June 2019) and does not intend to adopt the standard before its effective date.

There are no other new accounting standards issued but not yet effective.

Notes to the financial statements

For the half-year ended 30 June 2018

10 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

This note explains the impact of the adoption of AASB 9 *Financial Instruments* ('AASB 9') and AASB 15 *Revenue from Contracts with Customers* ('AASB 15') on the Group's financial statements and also discloses any changes in accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

There are no material impacts to the financial statements in the current or prior reporting periods as a result of the adoption of AASB 9 and AASB 15.

(b) Impact of adoption

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It makes a number of changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

Impairment of financial assets

In adopting AASB 9, the Group revised its impairment methodology in relation to its trade receivables and has now applied a simplified model of recognising lifetime expected credit losses immediately upon recognition. These items do not have a significant financing component and have maturities of less than 12 months. Historical impairments in relation to trade receivables have not been material.

The impact of the change in impairment methodology did not result in a material change to the Group's net trade receivables in the current or prior reporting periods.

Borrowings

The adoption of AASB 9 did not impact the Group's borrowings as the current debt arrangements are not hedged and do not include any derivative financial instruments.

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* replaces AASB 111 *Construction Contracts* (not relevant to the Group) and AASB 118 *Revenue*. It makes a number of changes to the previous guidance on the criteria to which revenue is recognised. By applying the five-step approach specified in the standard, the recognition of revenue is directly aligned with the delivery of performance obligations specified within the contracts with customers.

The Group has performed an assessment of its contracts with customers in accordance with AASB 15 and has determined the following impacts and changes to its accounting policies as a result of adoption.

Revenue

The Group recognises revenue predominantly from the sale of accounting software and services, including integrated enterprise business and transaction solutions, the majority of which is through a subscription-based model. Revenue from these sales comprise elements including software licenses, product upgrades, support and maintenance services, professional services, transaction services and training.

Accounting software and support services are sold through contracts with business customers and small to medium enterprises, including professional accounting practitioners. Most contracts are of either a monthly or annual duration, with the exception of the MYOB Advanced product, which is sold to Enterprise Solutions customers on terms greater than 12 months.

Notes to the financial statements

For the half-year ended 30 June 2018

10 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue (continued)

In applying AASB 15 to contracts with customers, the Group has determined that there are no material rights offered by way of options for additional goods or services to be provided at a discount within the contractual terms. Where the Group provides discounts or rebates to customers, these are allocated across the contract duration. This includes consideration of the *90 day Money Back Guarantee* period offered on MYOB's AccountRight, Essentials and Kounta software subscription products for new customers. The impact of this on the transaction price has been assessed and is not material.

The Group continues to transition its product offerings from the provision of perpetual software licenses to a subscription-based model. Software licenses that are provided have been assessed as being 'right to access' licenses on the basis that the Group provides ongoing support and maintenance to all customers. As such, revenue for this performance obligation is recognised over the duration of the contract. Most software license revenue earned by the Group was recognised over the contract duration, however a small portion of licenses were previously recognised at the commencement of the contract and have been amended to be recognised over time. The impact of the change in the timing of revenue recognition determined for this subset of software licenses was assessed and is not material. All other performance obligations have been assessed as being satisfied over time based on the point in time that those services are provided.

Customer contracts with multiple performance obligations

The majority of the Group's customer contracts are for accounting software which includes functionality updates and upgrades as and when they become available during the subscription period, in conjunction with access to technical support services. These contracts are priced based on a fixed license fee for the contract duration which does not change as a result of any upgrades or maintenance and support services provided. The provision of these services is accounted for as a single combined performance obligation.

Contracts for software licenses that feature integrated business solution applications, sold to Practice or Enterprise Solutions customers, may include additional charges for professional services. Revenues of this nature are considered distinct and are individually accounted for as separate performance obligations. Fees are based on standard hourly rates and have been allocated according to their respective stand-alone selling price. Customer contracts for transaction services are also treated as a separate performance obligation as business transactions are processed on behalf of the customer for a determined fee.

In all cases, the total transaction price for a customer contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Costs of obtaining a customer contract

AASB 15 requires that incremental costs associated with acquiring a customer contract, such as sales commissions, are recognised as an asset and amortised over a period that corresponds with the period of benefit.

An assessment of commissions paid by the Group was performed in connection with the sale of accounting software products. The contracts for SME and Partner Solutions products have a duration of 12 months or less. Applying the practical expedient in paragraph 94 of AASB 15 for these contracts based on their duration of 12 months or less, the Group continues to recognise the incremental costs of obtaining these contracts as an expense when incurred.

Commissions paid on sales of Enterprise Solution products that have a contractual duration of greater than 12 months or include elements that are directly attributable to securing a customer relationship, continue to be capitalised and amortised over the period of expected benefit.

There are no other costs incurred that are considered to be incremental.

Unsatisfied performance obligations

The Group continues to recognise its 'contract liabilities' under AASB 15 in respect of any unsatisfied performance obligations. These liabilities are disclosed as 'Unearned revenue' in the Consolidated Balance Sheet.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes as set out on pages 4 to 16, are in accordance with the *Corporations Act 2001* including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Justin Milne
Chair



Tim Reed
Executive Director and Chief Executive Officer

Sydney
24 August 2018



Independent auditor's review report to the members of MYOB Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MYOB Group Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for MYOB Group Limited. The group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the group's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MYOB Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MYOB Group Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written over a horizontal line.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Nadia Carlin', written over a horizontal line.

Nadia Carlin
Partner

Melbourne
24 August 2018