myob

INVESTING FOR TOMORROW

ANNUAL REPORT 2018

CONTENTS

INTERACTIVE PDF

This is an interactive PDF designed to enhance your experience. The best way to utilise this PDF is through Adobe Reader. Click on the links above in the contents or use the buttons at the top and bottom of the following pages to navigate.

OUR INDUSTRY IS RAPIDLY EVOLVING

Technology is changing the world we live and work in, and the industry that we operate in is advancing at an ever-increasing rate.

At MYOB, we understand this rapidly changing environment, and have entered into a period of accelerated investment to fast track the development of our online platform, and deliver on our vision of **helping businesses succeed.**

INVESTING FOR FUTURE GROWTH

MYOB continues to focus on the future of our industry. We have entered into a 2-year period of accelerated investment to fast track the delivery of the MYOB Platform and drive future growth.

MYOB PLATFORM

A single, integrated and efficient online platform that delivers seamless connectivity and real-time data and efficiencies for our clients and their Advisers.

Our investment into Research & Development and Sales & Marketing has doubled, and we believe this investment strategy will not only transform the way our industry works through our vision of The Connected Practice, it will also deliver on our goal of reaching one million online subscribers in 2020.

This is a strategy that ensures MYOB is leading the way forward for our clients, making bold moves that create a bigger impact for more businesses.

$50m

MYOB PLATFORM ACCELERATION

MYOB has brought forward Research & Development investment to accelerate the development of the MYOB Platform, to win new accounting practices and to increase the referrals received from SMEs.

$30m

SALES & MARKETING INVESTMENT

MYOB has increased its investment into Sales & Marketing to strengthen MYOB's brand in market.

MYOB is increasing its Adviser sales team to drive growth in the number of SME referrals from its adviser base. Marketing spend is also increasing to ensure direct SME sales remain strong and customer acquisition costs are maintained within 12 months.

Helping my clients achieve their goals.

More time for my family.

MY SUCCESS LOOKS LIKE...

Creating my own fashion label.

Opening my own restaurant.

MYOB VISION

ENABLING BUSINESS SUCCESS

Whatever success looks like for an SME, we help them to achieve it. We provide innovative tools that enable business owners to be more productive.

Streamlining the bookkeeping and accounting process and providing real-time financial insights into the business performance enables owners to make the most of their time – **simplify success**.

LIVING OUR PURPOSE

DELIVERING ON OUR VISION

TODAY

We provide ~1.2 million businesses with a suite of intelligent and intuitive business management solutions that help make life easier for business owners and their Advisers. Our solutions range from simple to powerful – meeting the needs of sole traders to businesses with thousands of employees.

TOMORROW

The Connected Practice, our bold vision for the future of our industry, will deliver seamless connectivity across the ecosystem, enabling real-time data to be readily available and accessible allowing our clients and their Advisers to make effective, insight-led decisions.

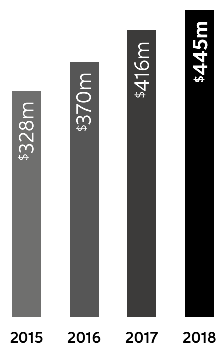
2018 SNAPSHOT

REVENUE

$445m

↑7% YEAR ON YEAR

Recurring revenue represents **97**% of total revenue



REVENUE BY SEGMENT[1]

CLIENTS & PARTNERS

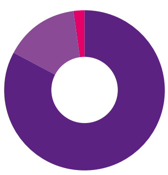
$364.3m

PAYMENT SOLUTIONS

$10.7m[2]

ENTERPRISE SOLUTIONS

$67.8m



CLIENTS & PARTNERS	**82**%
ENTERPRISE SOLUTIONS	**15**%
PAYMENT SOLUTIONS	**2**%

OUR TEAM

1,776

TEAM MEMBERS

MEN IN TOTAL TEAM

57%

WOMEN IN TOTAL TEAM

43%

WOMEN IN SENIOR MANAGEMENT

44%

WOMEN IN ENGINEERING TEAM

31%

1 Group revenue of $2.4m (1%) not shown in Revenue by Segment breakdown.
2 $3.4 million of additional payments revenue from Online Invoicing is recorded within SME revenue.

FINANCIAL HIGHLIGHTS

UNDERLYING EBITDA

$190m

FLAT YEAR ON YEAR

UNDERLYING EBITDA MARGIN

42.6%

STATUTORY EBITDA

$181m

STATUTORY NPAT

$64m

NPATA

$104m

↑2% YEAR ON YEAR

NPATA EPS

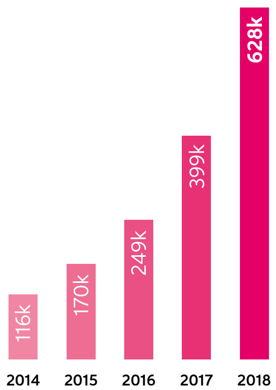
17.6¢

↑4% EPS YEAR ON YEAR MOVEMENT

ONLINE SUBSCRIBERS

628k

↑57% YEAR ON YEAR



83%

OF OUR REVENUE COMES FROM AUSTRALIA

17%

OF OUR REVENUE COMES FROM NEW ZEALAND

TRANSFORMING THE INDUSTRY THROUGH DIGITAL INNOVATION

MYOB has a clear vision for the future of accounting. It is steering the way forward for small businesses and their Advisers, across Australia and New Zealand, through a period of digital transformation that will help their businesses succeed.

Dear Shareholder,

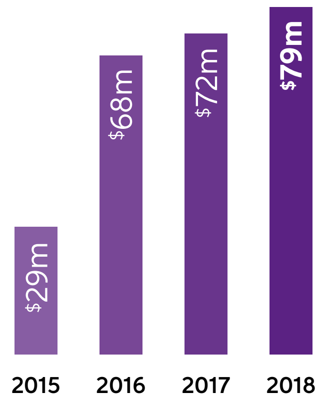
On behalf of the Board of Directors, I am pleased to present MYOB Group's Annual Report for the year ended 31 December 2018.

2018 has been a pivotal year for MYOB. The Company's performance since listing has remained strong, both financially and operationally, and the past 12 months has been no exception. In 2018, MYOB's growth momentum continued, delivering exceptional online solutions to its clients, and claiming the leadership position for online subscriber growth.

The Board's decision to invest for future growth through accelerated investment into Research & Development, and Sales & Marketing has been an important decision for the Company, its clients and for its shareholders.

CAPITAL RETURNED TO SHAREHOLDERS SINCE MYOB LISTED IN MAY 2015

$248m



The Company's plan to deliver a world-class integrated online platform that creates seamless connectivity and efficiency for businesses and their Advisers is set to revolutionise the way Australian and New Zealand businesses will operate.

Throughout 2018, Australian equity markets faced challenging conditions and a heightened level of volatility which resulted in the ASX200 Index falling by approximately 7 per cent. The poor performance towards the end of the year was particularly pronounced in technology stocks, where the ASX200 IT Index fell by approximately 14 per cent in the last quarter of the year.

Despite these market conditions, and with the accelerated investment underway, MYOB continued to deliver a strong set of financial results for the 12 months ended 31 December 2018, meeting guidance across all key financial metrics and taking a leadership position for online subscriber growth across Australia and New Zealand.

Over the past year, MYOB added 229,000 online subscribers, with total online subscribers at the end of December 2018 reaching 628,000, delivering an increase of 57 per cent on the prior year and placing the Company in a strong position to achieve its one million online subscriber target in 2020.

Revenue for FY18 was $445 million, an increase of 7 per cent on the prior year, underlying EBITDA remained stable at $190 million and NPATA was $104 million, up 2 per cent year on year.

MYOB's commitment to delivering value to shareholders by optimising and efficiently managing capital continued in 2018. In August 2018, the Company completed the on-market share buyback program, which was initiated in September 2017. In total the Company acquired 15.6 million shares at a total value of $48 million, funded by existing cash. In addition, MYOB returned capital to investors through the interim dividend of 5.75 cents per share at 30 June 2018, representing 75 per cent of 1H18 NPATA. Total capital returned to shareholders in 2018 was $79 million.

Throughout the second half of 2018, MYOB engaged with a representative group of shareholders and their Advisers to explore improvements to its Remuneration Structure, particularly the Unified Incentive Plan. This process, together with the proposed changes, has been well received and is explained in full in our Remuneration Report.

On 23 December 2018, MYOB entered into a Scheme Implementation Agreement with Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, KKR) under which it is proposed that KKR will acquire all the remaining shares in MYOB, that it does not currently own[1], for $3.40 per share in cash by way of a scheme of arrangement (Scheme). In March 2019, each shareholder will have received a copy of the Scheme Booklet which will contain detailed information about the Scheme, the Independent Expert's Report and details of the Scheme meeting which will be held in Sydney on 17 April 2019. For a copy of the Scheme Booklet, please visit our Investor website (https://investors.myob.com.au).

The MYOB Board unanimously recommend that MYOB shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the independent expert continuing to conclude that the Scheme is in the best interests of the MYOB shareholders.

I encourage each shareholder to read the Scheme Booklet in its entirety prior to making a voting decision.

Under the Scheme implementation agreement currently in place with KKR, MYOB cannot declare and pay any dividend without KKR's prior written consent. On the basis of this restriction, the MYOB Board has not declared a final dividend for the financial year ended 31 December 2018. If the proposed Scheme with KKR does not proceed, the MYOB Board will consider whether or not it will declare a special dividend at that time.

Looking ahead to 2019 and beyond, the Company remains focused on its strategic plans for growth and seeing its bold vision for the accounting industry come to fruition, The Connected Practice. This strategy will remain the cornerstone of the business, whether MYOB becomes a private company or remains a publicly listed entity, with the Board and management team purposeful towards this goal.

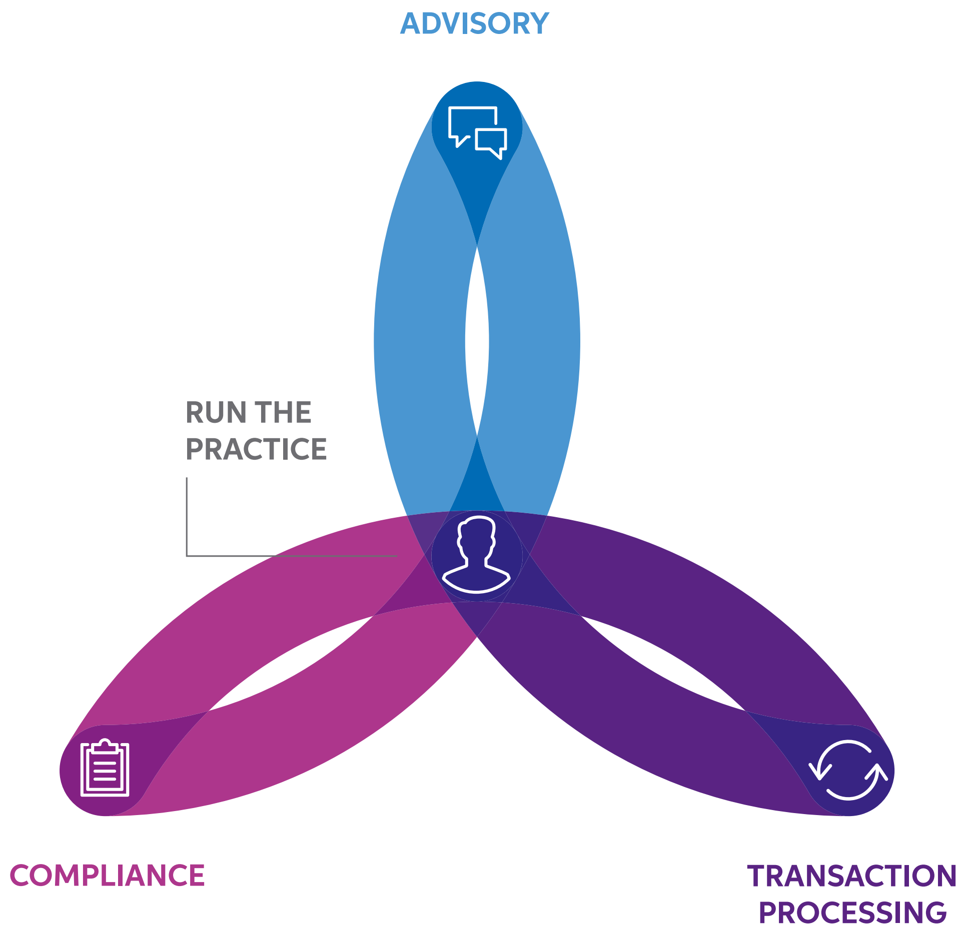
Finally, I would like to take this opportunity to thank each of our shareholders for their loyalty and continued support; the Board for their unwavering commitment to MYOB; and to our dedicated management team, who consistently deliver results, inspire the team to reimagine a future for the industry, and continue to drive MYOB forward.

Justin Milne
Chairman

1 KKR currently has a legal and economic interest in MYOB shares of approximately 19.9%..

THE CONNECTED PRACTICE

The Connected Practice will deliver seamless connectivity across the ecosystem, enabling live data to be readily available and accessible; and allowing effective, insight-led decision making by businesses and their Advisers.



TRANSACTION PROCESSING

Enabling SMEs and their Advisers to connect seamlessly and efficiently produce data that will drive their business success.

COMPLIANCE

Enabling accountants to efficiently produce year end compliance (tax and accounting) in an efficient manner.

ADVISORY

Unlocking the expertise of Advisers, providing them with the tools to help SMEs and individuals make intelligent business decisions.

RUN THE PRACTICE

Providing visibility and control over the practice; driving efficiencies and improving client experience through effortless collaboration.

THE IMPACT OF THE CONNECTED PRACTICE

The 'Connected Practice' is the coming together of three critical functions which occur between the SME and their Advisers: transaction processing, compliance, and business advisory. It leverages artificial intelligence and automation tools to drive efficiencies and create seamless connectivity between the SME and Adviser.

SME

"To have those key players around you, to offer you the advice and support your business needs, that is what makes the difference at the end of the day."

Tina Gobjias, GH Cabinets

BOOKKEEPER

"I'm excited about the Connected Practice because I think it just brings that relationship of Bookkeeper, Accountant and Client a lot closer."

Pam Madytianos, 2Peas Bookkeeping

ACCOUNTANT

"By building a relationship between the three parties, we are able to respond faster and help take their business to another level."

Nicole Templeton, TAG Financial Services

To view their stories, click here

CEO'S LETTER

DRIVING INNOVATION

MYOB is leading the future of accounting by delivering intelligent, intuitive tools that simplify success.

REVENUE

$445m

↑7% YEAR ON YEAR

UNDERLYING EBITDA

$190m

FLAT YEAR ON YEAR

ONLINE SUBSCRIBERS

628k

↑57% YEAR ON YEAR

Dear Shareholder,

I am pleased to provide you with an update on MYOB's performance and progress throughout 2018. The past 12 months have seen significant development and growth throughout the business.

Our vision of helping businesses succeed remains the foundation upon which our strategy is built. The decision to invest for future growth and enter into a 2-year period of accelerated investment (investing $50 million into Research & Development and $30 million into Sales & Marketing) has been an important and strategic decision for MYOB. The development of a single, integrated, online platform (the MYOB Platform) which will provide the next leap forward in business management tools for SMEs and their Advisers, is a clear differentiator for MYOB in the market. It will redefine the way small businesses and their Advisers can communicate and operate in the future.

2018 saw significant progress in the development and delivery of the MYOB Platform, with more than half of the platform modules already developed and in market and garnering resoundingly positive feedback from our clients. Delivery dates for compliance (client accounting and tax), corporate compliance and document management modules have been accelerated and are expected to be in market in 2019. We have also advanced the delivery of our Practice Management module which is now under development and expected to be in market in 2020.

This is an exciting period for MYOB and I am pleased to report that the benefits from our accelerated investment are already being realised. MYOB has taken the leadership position for online accounting subscriber growth, adding 229,000 online subscribers in the 12 months to 31 December 2018, more than any of our competitors. Total online subscribers reached 628,000 in 2018, placing the Company on track to achieve the target of one million online subscribers in 2020. Total customer lifetime value of our SME subscriber base continues to strengthen and has increased 30 per cent over the past 2-year period. Revenue from our Clients and Partners segment delivered $364.3 million in FY18, an increase of 6 per cent on the prior year. Growth was driven by to an increase in SME paying users and in SME ARPU, partially offset by slower revenue growth in our Practice tools in line with our expectations, as new online modules replace desktop sales opportunities.

Our Enterprise Solutions segment continues to grow from strength to strength. Revenue was $67.8 million, an increase of 5 per cent on the prior year driven by continued strong uptake of MYOB Advanced, making up more than half of MYOB ERP sales in FY18. MYOB Advanced continues to leverage its first mover advantage in cloud ERP with more than 580 sites (an increase of 43 per cent) using MYOB Advanced ERP solutions at the end of 2018.

Our newest segment, Payments Solutions, generated $10.7 million in revenue for FY18, an increase of 70 per cent. Our acquisition of Paycorp in early 2017 saw the creation of the Payments Solutions segment, enabling us to offer our clients the ability to collect payments through a payments gateway integrated within the MYOB software. At our Investor Day in November last year, we announced an exciting strategic partnership with Mastercard which will enable supplier and payroll payments to be made within our software, opening up approximately $200 billion of transaction volume opportunity for MYOB.

Our confidence in our ability to assist accountants and bookkeepers transform the way they work and become a Connected Practice, through leveraging the MYOB Platform, is centred around our team of highly engaged people. We continue to work hard to attract and retain top talent and we are proud to be positioned above the new tech benchmark for employee engagement consecutively two years in a row.

In 2018 the MYOB team grew significantly, due in part to our accelerated investment strategy, increasing our total work force to approximately 1,800 at the end of the year. Together as a business we are committed to developing a strong pipeline of women in technical and leadership roles. One of our key initiatives is DevelopHer, which aims to increase female representation in software development roles, and offers a paid scholarship and a permanent full-time role at MYOB to women who are changing careers or looking to re-enter the workforce. I am proud to say that 2019 will see our third intake of the DevelopHer initiative. In 2018 we continued to run a gender pay-gap analysis twice a year and made the necessary adjustments to align payments.

As a leading technology business with over one million small business clients, we hold a privileged position in our community and we take this responsibility seriously. This starts with making sure our own business is conducted in a manner the community would expect.

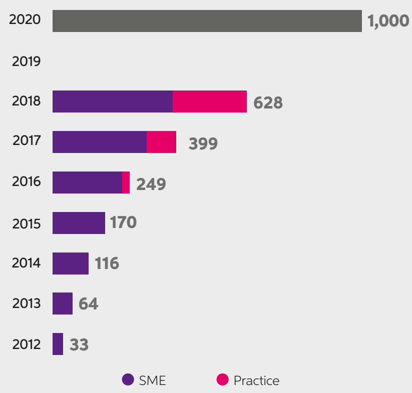
In 2018 it was made clear by the Australian public that more is expected from large businesses in Australia to show integrity with their customers and with their community, and act in a manner that is more acceptable. We take pride in running our business the way it should be run and over the years we have continued to build trust with our clients, our partners and our shareholders.

In last year's annual report, I highlighted a number of areas where we as a business represent and advocate for our community, whether it be through our products, our research and surveys, our direct engagement in the community or through policy developments, focused on helping small businesses succeed.

In 2018, this commitment continued both directly and through our active involvement as member of the Business Council of Australia (BCA). As part of the BCA's working group, MYOB has been integral in the development and design of the Australian Supplier Payment code, of which MYOB is a signatory. The Australian Supplier Payment code is a voluntary, industry-led initiative which commits signatory companies to pay eligible Australian small business suppliers within 30 days. We fundamentally believe that ensuring small businesses are paid on time is critical for their businesses, their clients and for the economy, and we call on all other large businesses to join us and sign up to this code.

Throughout the year we also advocated strongly for company tax reform. For more than a decade Australia has shifted from having a company tax rate below the OECD average, to where it now sits as one of the highest in the developed world. I am proud that as a business we were able to have this addressed for small businesses, with the reduction in company tax from 30 per cent to 25 per cent passing the parliament, reducing taxes for small businesses.

ACCELERATING GROWTH IN ONLINE SUBSCRIPTIONS[1] ON TRACK TO REACH 1 MILLION BY 2020 ('000)



Single Touch Payroll has also been a critical area of development for small businesses in Australia. MYOB worked closely with the Australian Taxation Office and the ATO Readiness Working Group to assist with the education and adoption process required by small businesses across Australia.

As I look forward into 2019 there's no doubt this will be a significant period for MYOB. We will continue to focus on delivering results and accelerating the development of the MYOB Platform. We are confident we will meet our medium-term targets and deliver long-term value to our clients and to our shareholders.

The proposed scheme of arrangement with KKR to acquire all the remaining shares in MYOB, announced in December 2018, remains ongoing and is subject to shareholder and court approval. For further details, please refer to our investor website (https://investors.myob.com.au).

Finally, I would like to take this opportunity to thank our shareholders for their valued support and ongoing trust, and to the MYOB team for their passion and commiment to our strategy, putting our customers at the heart of our business and what we do.

Tim Reed
Chief Executive Officer

1 The chart above includes both SME and Practice ledgers to show total online ledger growth.

CREATING LONG-TERM STRATEGIC VALUE

ACCELERATE GROWTH
in existing markets

MYOB'S STRATEGY

GROWING ONLINE SUBSCRIBERS

- Winning advisers through the Connected Practice vision
- Increasing referrals through the MYOB Platform
- Investment in sales, marketing and brand to attract new SMEs
- Migrate non-paying desktop SMEs to the MYOB Platform

INCREASING LIFETIME VALUE

- Improved retention and Average Revenue Per User (ARPU) from increased usage of connected services
- ARPU benefit from price uplift reflecting the value of new functionality including AI and Machine Learning
- ARPU benefit from mix shift online

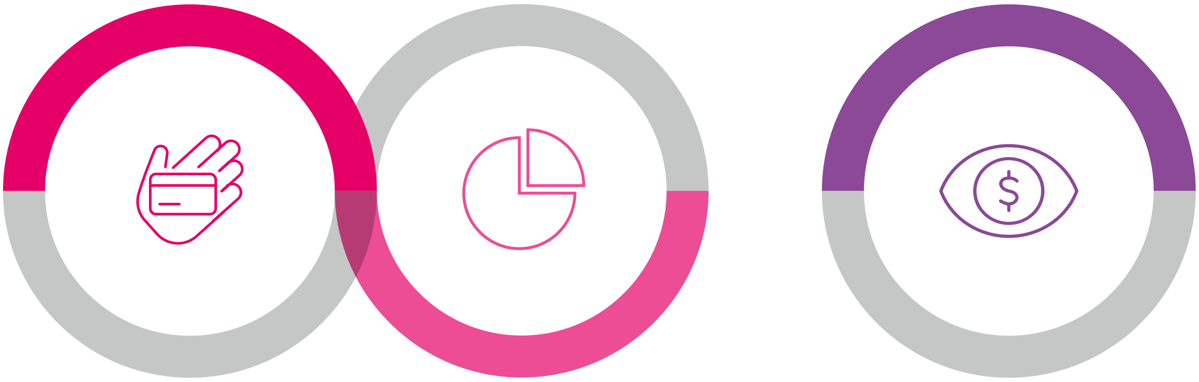
2018 HIGHLIGHTS

- The Connected Practice vision is resonating strongly with SMEs, Accountants and Bookkeepers, with overwhelmingly positive feedback from clients
- SME referrals from Accountants and Bookkeepers continue to make up more than half of all MYOB SME sales in FY18
- 57 per cent growth in online subscribers in FY18, leading the industry with 229,000 online subscribers added in the 12 months to 31 December 2018; on track to reach 1 million in 2020
- Migration rate of non-paying desktop users remains strong, at 12 per cent (compared to 10 per cent in FY17)

- ARPU increased by 3.5 per cent to $438, supported by price increases and a mix shift to higher value Accounting & Payroll products
- Uptake of connected services remains strong (online bankfeeds, online In Tray (Smart Bills), PaySuper, online invoice payments)
- Record retention rate of 83 per cent

PENETRATE NEW MARKETS
already opened

STRENGTHEN CORE
and new TAM



INCREASING TAM THROUGH PAYMENTS & SME LENDING

- Increase the number of clients using MYOB's invoice payment capabilities
- Increased per client usage of MYOB's invoice payment tools through new payment types
- Expand the MYOB PayBy client base
- Increased per client uptake of MYOB Loans

- More than 14,000 merchants using online invoicing within MYOB software
- More than 30,000 transactions per month through online invoicing, increasing due to the launch of BPay, boosting transaction value by 70 per cent
- MYOB Loans volume doubled year on year and MYOB together with OnDeck continues to build out the product and its reach through innovative 'test & learn' concepts in the fast-growing online SME lending category

INCREASING SHARE & TAM THROUGH ENTERPRISE

- Increased market-share in Tier 3 with MYOB Advanced
- Increase ARPU by migrating existing Tier 3 desktop clients online
- Increased TAM by providing solutions for larger Tier 2 Enterprises

- More than 580 sites using MYOB Advanced Business online ERP
- MYOB Advanced recognised by Gartner in its Market Guide for Service-Centric Cloud ERP Solutions, amongst global profiles for major cloud ERP vendors
- Advanced People is a competitive differentiation for MYOB, with more than 230 sites using this solution, leading to increased ARPU

STRATEGIC ACQUISITION OPPORTUNITIES

- Targeted acquisitions within our core business
- New growth opportunities which leverage our core business and increase TAM

- Reckon acquisition terminated, with investment strategy in place
- Proposed Scheme of Arrangement with KKR is ongoing, and subject to shareholder and court approvals
- Opportunities for growth via acquisition continue to be investigated

Note: TAM refers to Total Addressable Market.

BUSINESS SEGMENT REVIEW

Delivering solutions to customers of all sizes, shapes or sectors for every stage of their business journey. MYOB has three key business segments: Clients & Partners; Enterprise Solutions; and Payments Solutions.

BUSINESS SEGMENT REVIEW

CLIENTS & PARTNERS

Clients & Partners provides accounting, payroll, tax and other business management solutions to SMEs and Advisers, with secure bank transaction data from banks and other financial institutions. These tools assist in the management of SME businesses and the efficient completion of compliance (tax and accounting) through Advisers.

Operational Highlights

During FY18, MYOB launched a number of innovative new products and connected services to SMEs and Accountants, including the release of new Compliance tools such as Online Assets in Client Accounting, plus enhancements in Online Tax, Portal, Dashboard, Essentials, Connected Ledger and MYOB Advisor. The development of MYOB Advisor (a tool which uses AI and Language Generation technology), led MYOB to be named #8 in the AFR's Top 100 Most Innovative Companies list.

In addition, MYOB has accelerated the delivery of other online modules in Compliance (Client Accounting and Tax), Corporate Compliance and Document Management with delivery dates for these modules to be in market accelerated to 2019. The build of the Online Practice Management modules has also advanced and these tools are now under development, to be delivered to clients in 2020.

Financial Update

In the 12 months to 31 December 2018, revenue generated from the Clients & Partners segment totalled $364.3 million, an increase of 6 per cent from FY17, predominantly driven by growth in revenue from SMEs.

Revenue from SMEs grew by 8 per cent in FY18 compared to the prior year, with the increase driven primarily by an uplift in recurring revenue of 8 per cent (representing 99 per cent of total SME revenue in FY18).

The growth in SME recurring revenue can be attributed to growth in Average Paying Users, up 4.6 per cent year on year, and ARPU up 3.5 per cent year on year to $438 with continued increases in the rate of migrations from active non-paying to paying online users and retention rates (a record of 83 per cent in FY18).

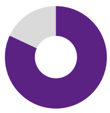
Revenue from Practices grew modestly (<1 per cent), slightly below FY17. Recurring revenue was up 0.7 per cent compared to 2.4 per cent in the prior year, driven by a ~2 per cent growth in subscription revenue, offset by a reduction in services revenue due to uncertainty around the Reckon transaction. The ~2 per cent growth in subscription revenue was driven by ARPU increases offset by limited client seat churn. Recurring revenue makes up 98.5 per cent of total revenue from Practices in FY18. New software sales were down 19 per cent on the prior year, as new online modules replaced desktop sales opportunities.

REVENUE

$364.3m

↑ **6%**

FROM FY17



82%

OF GROUP REVENUE

BENTWOOD CAFÉ

To watch the full story click here

If running a successful startup business is a feat, running 11 successful businesses is a modern-day miracle. But that's what Melburnian hospitality mogul Julien Moussi does best.

"We chose MYOB because it is easy to use, it links up with other apps that we use, it has real time data and our accountants and staff can login anywhere in the world."

Julien Moussi, Owner

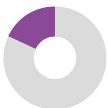
ENTERPRISE SOLUTIONS

MYOB Enterprise Solutions provides intelligent, adaptable business management software including Enterprise Resource Planning (ERP), Payroll and Human Capital Management (HCM) solutions to more than 8,000 mid-market and enterprise clients (from 50–10,000+ employees).

REVENUE

$67.8m

↑5%
FROM FY17



15%
OF GROUP REVENUE

ORGANIC GROWTH RATE

↑8%
FROM FY17

Operational Highlights

During 2018, MYOB's Enterprise Solutions segment experienced strong growth across Australia and New Zealand for both cloud and on-premise software.

MYOB's Enterprise cloud ERP solution, Advanced Business, surpassed 580 sites including brand names such as Soul Origin, Museum of Australian Democracy (Old Parliament House), SEA Electric and Breast Cancer Network Australia. MYOB's cloud HCM solution, Advanced People, continued to grow and is used by more than 230 organisations within just 18 months of launch. This mid-market cloud ERP and native HCM combination represents a competitive advantage for MYOB as a unique solution in market. MYOB Exo, Greentree and PayGlobal continue to be a solution of choice for organisations who require deep functionality on-premise. In 2018, MYOB welcomed over 160 new sites to these platforms.

The inaugural Enterprise Insights Report was commissioned, in which 276 mid-market organisations contributed to create a meaningful snapshot of the mid-market. This report was received well by the mid-market and grew awareness of MYOB's enterprise offering and solutions.

In 2018, MYOB Enterprise Solutions balanced delivering compliance capability with enhanced and new functionality across the suite of products. A seamless Single Touch Payroll compliance experience was created, enabling clients to navigate the most disruptive change to payroll reporting in over a decade with ease.

In 2019, MYOB Enterprise Solutions will continue to deliver compliance as required and enhance its products to extend the addressable market. Investment will be focused on maintaining MYOB Enterprise Solutions as the vendor of choice for clients upgrading from SME software and extending the Company's reach in the mid-market and enterprise segments.

Financial Update

MYOB Enterprise Solutions continued with its strong growth in FY18, leveraging its first mover advantage in cloud ERP and integrated payroll with MYOB Advanced in Australia and New Zealand. Total Enterprise revenue was $67.8 million, up 5 per cent on FY17. Enterprise Solutions delivered an underlying growth rate of 8.2 per cent in FY18 compared to 7.5 per cent in FY17. Note, in FY17 Enterprise Solutions revenue included one-off revenue of $1.9 million due to the sale of the Greentree UK business. The number of sites for MYOB Advanced increased by 43 per cent on the prior year, reaching more than 580 at the end of FY18.

Organic recurring revenue growth of 9.4 per cent was driven by continued strong uptake of MYOB Advanced, with Advanced Business sales continuing to make up more than half of MYOB ERP sales in FY18. New licence revenue grew by 3.2 per cent with continued strength in Tier 2 PayGlobal and Greentree products.

TUATARA BREWERY

To watch the full story click here

NZ icon raises a glass to greater efficiency

Growing a sophisticated manufacturing operation featuring numerous product lines, Tuatara required a new business system so they made the move to MYOB Advanced.

"We have a lot of staff who work on the road or from home so it was important to have a cloud product that gave us flexibility."

Annemaree Deed, Finance Manager

BUSINESS SEGMENT REVIEW

PAYMENTS SOLUTIONS

Payments Solutions provides simple and secure payments solutions for businesses of all sizes, offering competitive transaction rates and quick settlement, working in conjunction with major banks and payment schemes.

Operational Highlights

Payments Solutions is a relatively new segment of revenue for MYOB. The acquisition of Paycorp in early 2017 saw the creation of the Payments Solutions segment, enabling seamless online invoicing and invoicing payments to be collected through MYOB's online accounting software. This area has seen strong traction in FY18, facilitating more than 30,000 invoice payments per month worth more than $20 million in transaction value.

Payments is an area of growth for Revenue from Online Invoicing (separately reported in MYOB SME revenue) which grew organically by 53 per cent to expand its total addressable market through its recently announced partnership with Mastercard. This partnership not only expands MYOB's offering to its clients, it opens up a $200 billion transaction volume opportunity for MYOB to penetrate through its software.

In addition, MYOB provides simplified payments solutions for larger enterprise businesses and their customers through MYOB PayBy. In 2018, MYOB partnered with The ai Corporation to launch a new payment gateway and fraud management solution, adding to the growing Enterprise customer base which includes Vodafone and strategic relationships in place with EFTPOS Australia and China UnionPay.

In 2017, MYOB commenced offering MYOB branded loans through its investment in OnDeck Australia, a subsidiary of OnDeck Capital Inc, a leading provider of small business loans in North America. OnDeck Australia offers unsecured working capital loans to small businesses from $10,000 to $250,000 over 6–24-month terms. MYOB earns commissions on loans it refers to OnDeck Australia. In FY18, the MYOB Loans channel doubled in loan volume year on year and MYOB, together with OnDeck, has continued to build out the product and its reach through innovative 'test & learn' concepts in the fast-growing online SME lending category.

Financial Highlights

Payments Solutions revenue for FY18 was $10.7 million, up 70 per cent on the prior year, reflecting 12 months revenue in FY18 versus 9 months in FY17 with like-for-like growth rate of 39 per cent.

Revenue from Online Invoicing (separately reported in MYOB SME revenue) grew organically by 53 per cent to $3.4 million as the number of merchants and transactions continues to climb, boosted by the introduction of BPAY in mid-2018.

Payments Solutions continues to be an area of growth opportunity for MYOB. With added functionality and payment types to be introduced in 2019, these include Amex, EFTPOS Online, China Union Pay, Invoice reminders, Invoice lists/statements and fraud detection and prevention.

REVENUE

$10.7m[1]

↑70%[2]

FROM FY17

2%

OF GROUP REVENUE

ORGANIC GROWTH RATE

↑39%[3]

FROM FY17

MYOB LOANS – LITTLE KINDY

To watch the full story click here

Little Kindy is committed to providing safe nurturing environments in which children can learn and grow under the loving care and guidance of highly committed early childhood professionals.

"In the long-term I think MYOB and OnDeck will be the best partner of my business, to grow my business."

Arzal Arzal, Owner Little Kindy

1 $3.4 million of additional payments revenue from Online Invoicing is recorded within SME revenue.
2 Reflecting 12 months revenue in FY18 vs nine months in FY17.
3 Like-for-like growth reflects 12 months revenue in FY18 verses 9 months in FY17.

A CULTURE OF INNOVATION

MYOB has built a culture of innovation that encourages creativity in how we approach and solve development problems. New collaborative ways of working are central to how we innovate, including company-wide HackDays that bring together people from different departments to work on initiatives of their choice.

Customers are at the heart of our innovation process. At the front of our customer website there is an interactive community page whereby innovations are regularly suggested by our customers, and explored by our developers, creating a culture of shared innovation. MYOB also conducts workshops with small and larger business clients, accountants and advisers to ensure that our developments remain at the heart of what clients expect from us. In addition, our program of beta testing places customers at the centre of the innovation process and gives them a role in the development journey.

MYOB continuously measures the effectiveness of our innovations. A key way of doing so is by engaging our staff in the process. People at all levels, and in all kinds of roles, are encouraged to provide feedback on our products and services. Recognition programs, such as the Ignition Awards and the Kudos program and regular open demonstration sessions seek to celebrate innovations with MYOB. The Company has dedicated budgets for improving and enhancing existing products and solutions, as well as building new ones. The approach to innovation across MYOB and our solutions is three-fold:

- Product development and enhancements – introducing artificial intelligence and machine-to-machine learning technologies into our products.
- Platform development – MYOB has set out to build a single, integrated platform that creates seamless connectivity and delivers real-time data and efficiencies.
- Personal development – MYOB introduces new ways for staff to develop their skills and experience, utilising several digital initiatives.

PRODUCT INNOVATION

Single Touch Payroll

One of the biggest reporting changes in years, Single Touch Payroll (STP) was introduced in 2018 requiring businesses to report payments directly to the Australian Taxation Office (ATO) in a streamlined digital format. In 2018 all employers with 20 or more employees had to report payments such as salaries and wages, PAYG withholding and super information to the ATO each time they paid their employees. In our software, we did three things – (i) we added a readiness check to confirm that company information and employee details met ATO requirements, and all payroll categories were assigned an ATO category; (ii) connection to the ATO; and (iii) we provided users the ability to quickly and easily lodge STP directly to the ATO in a single click and provided users with detailed reports showing the information they've sent to the ATO as part of Single Touch Payroll Reporting.

From 1 July 2019, it will become mandatory for employers with 19 or less employees to report through STP unless they have been granted a deferral. To make business life easier for our clients, and to give small employers another option for easy compliance, MYOB has developed two new products for release in April 2019 designed to simplify payroll processing and STP compliance. For further details please refer to: MYOB continues successful roll out of Single Touch Payroll.

BAS Solution

MYOB is currently testing an innovation of its BAS transaction processing software with a closed group of BAS agents and bookkeepers. The software will interface directly with ATO reports online, allowing customers to keep on top of the status of upcoming lodgements. This feature, alongside MYOB's Transaction Processing dashboard, means an Adviser can manage BAS work for multiple clients at a glance. Features include a snapshot of the transaction coding status without going into a client's file, the ability to query transactions in bulk and see the status of an upcoming BAS and click through to online lodgement all in the one screen. MYOB will continue streamlining the workflow with the support from the beta testing, with a view to release this innovation to market in the first half of 2019.

MYOB Advisor

MYOB Advisor, a unique artificial intelligence (AI) enabled tool designed to revolutionise the way Accountants and Bookkeepers advise their clients, was launched in 2018. MYOB Advisor is integrated into the MYOB platform that partners currently use. The online solution uses Natural Language Generation to turn data into written sentences that explain business performance in a simple and easy to understand format. The data can be customised by Accountants and Bookkeepers for each of their clients.

THE MYOB PLATFORM

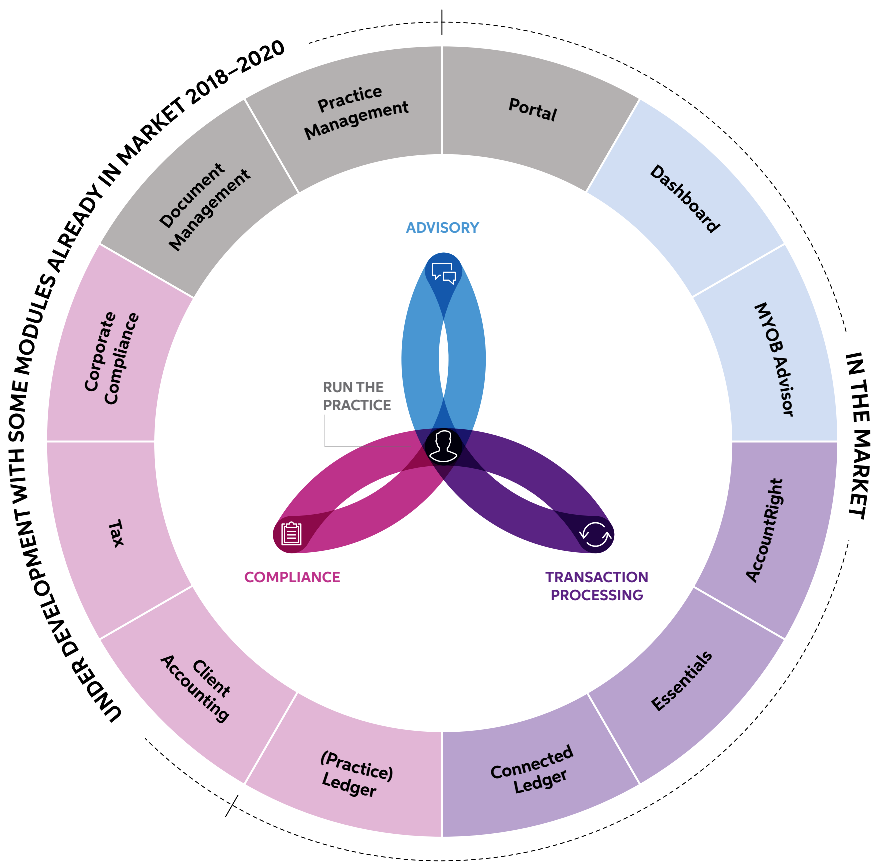
A clear differentiator for MYOB and our clients.

MYOB has accelerated the development of the MYOB Platform, a single, integrated, online platform that leverages AI, to significantly streamline processes for small businesses and their Advisers, bringing to life the vision of The Connected Practice.

For small businesses, the MYOB Platform aims to deliver an integrated, feature-rich online platform via a single interface to both accounting practices and small businesses. It will create significant efficiencies and real-time transaction benefits (including automated data entry, bank reconciliations from secure overnight bank feeds, automated invoicing tools and payables function) that help simplify processes and decision making for the business.

For accounting practices, the MYOB Platform will bring to life The Connected Practice vision, a future where seamless connectivity and real-time live data exists between Advisers and their clients. It creates opportunity to drive efficiencies in their practices, their clients' businesses and generate new revenue streams as a result of higher advisory opportunities.

Currently more than half of the MYOB Platform modules are developed and already in market with enhancements continuing. 2018 saw significant progress in compliance (client accounting and tax), corporate compliance and document management with dates for these modules to be in market accelerated to 2019, and the Practice Management module has advanced and is now under development.



MYOB PLACES 8th IN AFR'S TOP 100 MOST INNOVATIVE COMPANIES

Our culture of innovation, which focuses on delivering better solutions to our clients more quickly, has seen our business place 8th on the Australian Financial Review's Top 100 Most Innovative Companies list. This prestigious award recognises innovation that adds value across a business. Award winners are acknowledged for their ability to implement a key initiative during the year.

Our unique artificial intelligence tool, MYOB Advisor, was key to our ranking. The tool incorporates artificial intelligence and natural language generation to interpret data and provide easily understood descriptions of a business' financial position. These insights can then be customised by Accountants, allowing them to easily advise their clients, driving meaningful conversations.

"We're delighted with this result. This is the 6th consecutive year we have been recognised on this awards list, and it's wonderful to be acknowledged as one of Australia and New Zealand's top 10 most innovative companies."

Tim Reed, Chief Executive Officer

PEOPLE, CULTURE AND COMMUNITY

MYOB strives to run its business in ways that produce social, economic and environmental benefits for our communities in Australia and New Zealand. As a public company, we seek to ensure that our shareholders receive long-term value though their investment in MYOB. We understand that this is not solely financial, that growth and success depend upon reputation, employee morale, supporting the community and the environment. We pay attention to the expectations of our employees and stakeholders, while respecting and working to improve the communities we engage with.

PEOPLE

Our employees are instrumental to the ongoing success and growth of the business. At MYOB, we are committed to providing an engaging work environment that inspires our team to bring their capabilities, effort and commitment.

MYOB enjoys a high level of employee engagement, a strong employer reputation, high employee retention and a focus on the wellbeing and safety of our people.

DIVERSITY AND INCLUSION

MYOB recognises its talented and diverse workforce as a key competitive advantage. We believe that the wide array of perspectives that results from diversity promotes innovation and business success. Utilising this diversity makes us more creative, flexible, productive and competitive.

As our Company continues to grow, an important area of focus for us is gender equality within our business and industry. We are committed to ensuring all employees are able to access the same rewards, benefits and opportunities.

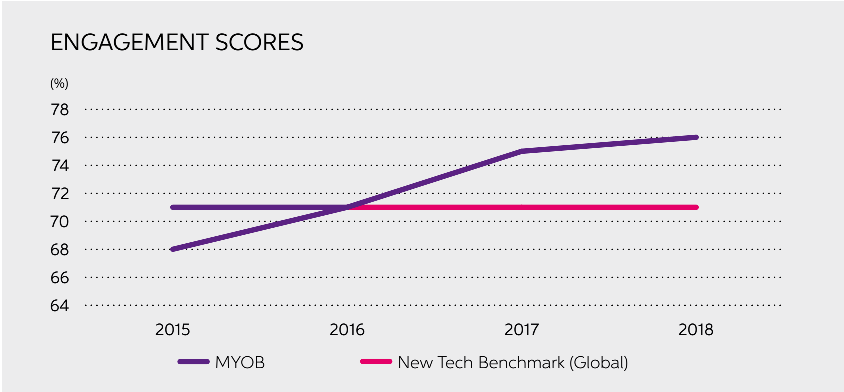
At MYOB we have a strong representation of women across our business (43 per cent) and in our Senior Leadership Team (44 per cent). We are also making our contribution to the improved representation of women in technology. Specific initiatives in this area include; DevelopHer, offering paid scholarships to women who are changing careers or looking to re-enter the workforce; targeting the hiring of women into more than 40 per cent of our entry level engineering roles; and actively seeking opportunities to transfer female leaders from other areas into our technology teams.

On our Board of Directors, two of our seven directors, or 29 per cent, are women (33 per cent of Non-executive Directors). We are committed to further improving female representation on our Board of Directors.

In 2017 we completed our first gender pay-gap analysis and continue to focus on this area with regular reviews, to ensure no pay-gap exists between men and women in equivalent positions. Tim Reed has continued his active support through his membership of the Male Champions of Change initiative, ensuring that commitments are delivered within MYOB.

CULTURE

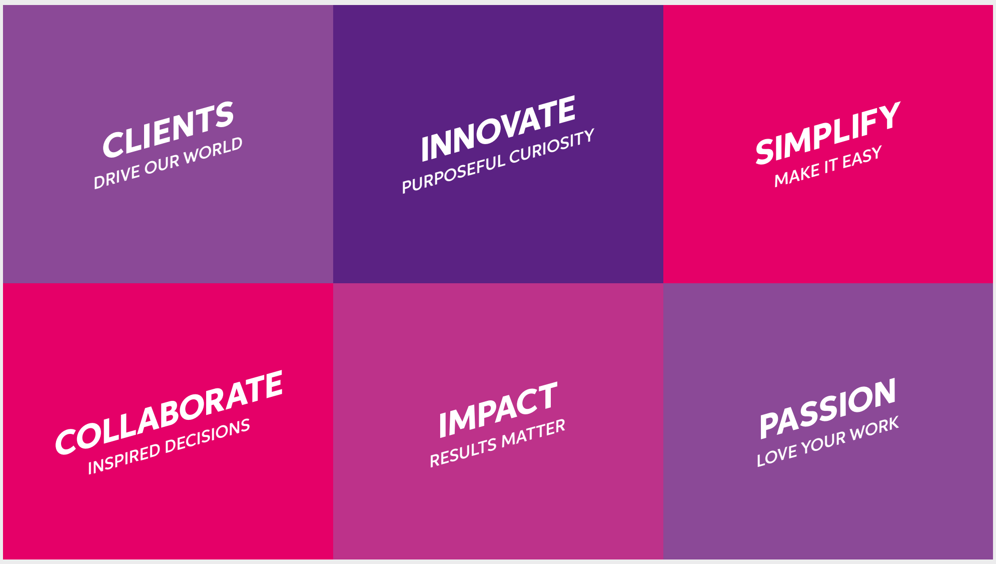
At MYOB we pride ourselves on our culture, which is based on the MYOB Way. This includes our vision and purpose, our values and the experience we wish to create for our clients. The MYOB Way is introduced toall new team members via our Culture Days, it is referenced via our many internal communications channels, and reinforced regularly. This culture, and our efforts to grow and enhance it, has contributed to our consistent growth in employee engagement in recent years. We benchmark this performance against that of other global modern technology businesses and sustain our position in the upper quartile of this community. During 2018 we invested further in the capabilities of our leaders as custodians of our culture for our team.



Two of our values are innovation and collaboration, which are demonstrated throughout bi-annual 'MYOB Hack Days'. This is where our teams from across MYOB come together to develop new and innovative ways to meet client needs and solve problems.

At MYOB we recognise that in the modern world of work, and especially in a technology business, we are often 'always on'. We support our team in having a balanced work and personal life through our approach to flexibility. Our 'flex mindset' allows us to think flexibly about where and when work can be performed and delivered, trusting our teams to focus on their outcomes and impact rather than the need to be present in a particular location or at a specific time. This flexibility consistently rates as the item of most value to our teams when exploring our total reward proposition, and serves as an important talent attraction and retention strategy.

THE MYOB WAY



At the heart of everything we do lies the MYOB Way, a powerful combination of our Vision, Values and Experience. It is who we are, how we act and everything that makes us uniquely MYOB.

To watch the MYOB Way click here

COMMUNITY

Our vision is to help businesses succeed, and we deliver on this via a number of community initiatives which include:

- Undertaking ongoing research into the challenges and opportunities for small business owners, and publishing this research for others to see and use.
- Leveraging this research with policy makers (in particular government and regulatory bodies) to influence on behalf of small businesses.
- Engaging with the press to publish this research to educate on the importance of, and the challenges for the small business community.
- Supporting digital inclusion through partnerships with not-for-profit social enterprises that empower small and micro-businesses to get online and improve their long-term business success.

In 2017 MYOB joined the Business Council of Australia (BCA) and became a signatory to the Australian Supplier Payment code. During 2018, as part of the BCA's working group, we were actively involved in the development of the code; a voluntary, industry-led initiative which commits signatory companies to pay eligible Australian small business suppliers within 30 days.

In addition, MYOB has worked closely with the Australian Taxation Office on the development of Single Touch Payroll (STP) reporting. We have contributed to a number of working groups, including the STP Advisory Group supporting the ATO with an effective rollout of STP. As a member of the ATO's Readiness Working Group and the Australian Business Software Industry Association we have supported the awareness, education and adoption of STP across Australian businesses.

2018 saw MYOB further develop its partnership with Infoxchange, a not-for-profit social enterprise that has delivered technology for social justice for over 25 years. Together we created I CAN with MYOB, helping people experiencing disadvantage and barriers to employment (mature jobseekers, return to work parents and people facing social and economic challenges) develop skills as bookkeepers. During 2018 seven students successfully completed the program and five have been successfully employed.

2018 has seen an active year for MYOB's involvement in its communities across Australia and New Zealand with just some of the highlights listed below:

AUSTRALIA

Startup Victoria, Startup Grind, WeTeachMe
Key backer of the Australian startup ecosystem having supported and hosted many startup community events from groups such as Startup Victoria, Startup Grind and WeTeachMe

OneRoof
Supporter of female entrepreneurship, backing female focused startup initiatives and events including OneRoof, Australia's leading co-working space for women-led businesse

I-Manifest
Support of I-Manifest's micro schools – an NGO that uses creativity to empower youth to find their passion and purpose.

OneRoof, Creative Cubes
Partnered with OneRoof and Creative Cubes to sponsor a cohort of startups with 12 months of free co-working, mentoring and business support.

Wade Institute
Support of an annual scholarship for the Master of Entrepreneurship at the Wade Institute.

Startup Grind Conference
Bringing the Startup Grind Conference to Melbourne – the first time it has been held in the Asia-Pacific region – to educate, inspire, and connect 100's of entrepreneurs, founders and investors from all sectors of the economy.

NEW ZEALAND

Silver Ferns
Sponsorship of the national Silver Ferns netball team and engagement with Netball NZ on supporting local clubs.

Kōkiri
Founding sponsor of Kōkiri, the startup incubator program launched by Te Wanaga O Aotearoa to support development of Maori-based businesses.

Head Start for Startups
Ran the Head Start for Startups competition that saw hundreds of budding entrepreneurs compete to claim a $100k package to get their idea off the ground.

Government's Holiday's Act Taskforce
Engagement on the Government's Holiday's Act Taskforce to update the legislation to make it more relevant for the modern working environment.

MUV Talks, the Ministry of Awesome, Startup Grind
Teamed up with MUV Talks, the Ministry of Awesome, and Startup Grind to run events that bring entrepreneurs together to share ideas and inspiration.

MYOB IT Challenge
Managed the national MYOB IT Challenge for tertiary students.

MYOB is also committed to community engagement through local volunteer and fundraising programs in Australia and New Zealand. Our employees receive one day of paid leave per calendar year to volunteer for a not-for-profit organisation or initiative through skilled or unskilled volunteering.

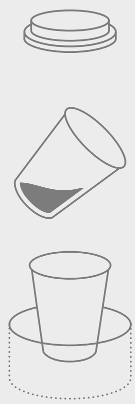
ENVIRONMENT

MYOB has a relatively low environmental footprint, with our biggest environmental impacts coming from travel, energy and consumables. We take steps to improve and measure our environmental impact through office-based initiatives carried out by our facilities team, and addressing the social and environmental impacts of our core products and services.

We have launched environmental initiatives with regard to waste segregation and have implemented various systems and processes to segregate the waste we generate within our offices. Our aim is to advance these systems and processes so we can learn to avoid waste and minimise our overall consumption.

As part of our journey to neutral, we have partnered with Closed Loop, where take-away coffee cups are collected from their own waste bins and sent to a unique recycling facility instead of a trip to landfill.

RECYCLE
YOUR COFFEE CUPS HERE



1. FLIP Flip your lid into the recycling bin.

2. TIP Tip the remaining contents into the sink.

3. SLIP Slip your empty cup into the collection tube.

DEVELOP**HER**

The DevelopHer program focuses on increasing gender diversity in tech, especially within software development. It is a program that offers paid scholarships to women who are changing careers or looking to re-enter the workforce. The scholarship includes a salary while they are learning and paid tuition for the first six months to gain the foundations of coding. After six months of intensive training, our DevelopHer participants enter into our graduate program, the Futuremakers Academy. Mentors then help guide their way in mastering their craft in software development.

To view their stories, click here

FUTUREMAKERS ACADEMY

Recruiting the next bright young stars in tech

MYOB works with universities to offer graduates their first leg-up on the career ladder. Graduates are given the opportunity to apply for a place in the Futuremakers Academy, which provides on the job training and employment for those completing tech-centric degrees, such as engineering. These graduates are then taken through several months of training to prepare them for a role as an associate developer. Starting in 2017, the Futuremakers Academy is in its third year of twice yearly intakes, with the most recent intake in February 2019 recruiting 13 graduates to the program.

GOVERNANCE

MYOB is committed to meeting high standards of corporate governance to create long-term and sustainable shareholder value. The Board has established a corporate governance framework that ensures the highest standard of ethical conduct to protect the interests of shareholders and other stakeholders. The MYOB Board supports the need for strong corporate governance and this is reflected across the culture and business practice of the organisation.

For further details on MYOB's approach to corporate governance and our compliance with the Recommendations of the ASX Corporate Governance Council, please refer to our Corporate Governance Statement, which is available on our website at https://investors.myob.com.au/governance/

CHIEF OPERATING DECISION MAKER	**BOARD OF DIRECTORS** Chair: Justin Milne CEO: Tim Reed Composition: 7 Directors	
PRINCIPAL BOARD COMMITTEES	**AUDIT AND RISK MANAGEMENT COMMITTEE** Chair: Andrew Stevens	**REMUNERATION AND NOMINATION COMMITTEE** Chair: Anne Ward
KEY RESPONSIBILITIES	Integrity of financial reporting Effectiveness of risk management framework and of systems of financial risk management and internal control Internal and external audit scope and effectiveness	Remuneration of, and incentives for, the CEO and other senior executives Remuneration strategies, practices and disclosures generally Size and composition of the Board and new Board appointments Board, Committee and Director performance Board and senior executive succession planning

The MYOB Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board monitors the operational and financial position of MYOB, with a clear delineation of the roles and responsibilities of the Board compared to the management team.

The MYOB Board is responsible for the overall operation and stewardship of the Company and, in particular, for the long-term growth and profitability of MYOB, the strategies, policies and financial objectives of the Company, and for monitoring the implementation of those policies, strategies and financial objectives.

The Charter under which the Board operates is reviewed periodically, with amendments approved as required. In addition, MYOB has established the Audit and Risk Management Committee, and the Remuneration and Nomination Committee as standing Committees. Each standing Committee operates under a charter, approved by the Board.

KNOWLEDGE, SKILLS AND EXPERIENCE

The Board is structured so that its membership provides an appropriate mix of qualifications, skills and experience to enable it to discharge its responsibilities, and to ensure that its size facilitates effective discussion and efficient decision making.

As at the date of this report, the Board comprises of seven Directors, with six Non-executive Directors (four of whom are independent, including the Chair), and one Executive Director (the CEO). Each of the Directors have been appointed based upon an assessment of their range of personal and professional experiences, skills and expertise. The Board seeks to achieve an appropriate mix of skills, diversity and tenure, including a significant understanding of the sectors in which MYOB operates, as well as corporate management and operational, financial and regulatory matters. MYOB's Directors contribute the skills and experience in the below categories, identified by the Company as being important to drive long-term shareholder return.

The Board recognises the important contribution that independent Directors make to good corporate governance. Each Director is required to act in the best interests of MYOB and is expected to exercise unfettered and independent judgement.

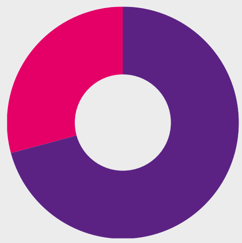
DIVERSITY AND TENURE

MYOB's Diversity Policy is set out in detail on our investor website https://investors.myob.com.au/governance/ It includes requirements for the Remuneration and Nomination Committee to set measurable objectives for the achievement of gender diversity and to assess progress towards achieving those objectives twice per year. One objective has been to increase the number of female Board members. Since setting the target in 2016, MYOB has increased the number of female Board members to two. MYOB is committed to further improving female representation on the Board of Directors.

The Board's diverse range of skills, experience and backgrounds supports the effective governance and robust decision making of the Group. The Board has determined that collectively its Directors have extensive experience across the key desired areas listed below.

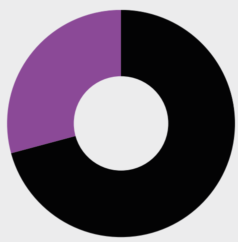
SKILLS AND EXPERIENCE	TOTAL OUT OF 7 DIRECTORS
Leadership and Governance	
Strategy	●●●●●●●
Innovation and Entrepreneurship	●●●●●●●
CEO/Senior Executive Level Experience	●●●●●●○
Other NED Experience	●●●●●●○
Corporate Governance	●●●●●●●
Financial and Risk	
Financial Acumen	●●●●●●●
Banking and Treasury	●●●●●●○
Risk and Compliance	●●●●●●○
Understanding of Business and Industry	
Software as a Service	●●●●●●●
Information Technology	●●●●●●○
ANZ Accounting Market	●●●●●○○
ANZ SME Market	●●●●●●○
Business Experience	
M&A and Capital Markets Experience	●●●●●○○
Business Development/Access to Networks	●●●●●●●
Marketing	●●●●●●●
Other Areas	
HR/Remuneration	●●●●●●●
Government, Public Policy and Regulatory	●●●●●○○
Diversity and Inclusion	●●●●●●●

BOARD DIVERSITY



- Male 71%
- Female 29%

BOARD TENURE



- > 4 years 71%
- 2–3 years 29%

PROACTIVELY MANAGED RISKS

MYOB deals with a variety of business risks, which it actively assesses and manages as part of its risk management framework. MYOB's core risks and the way they are managed are described below. This is not a comprehensive list of the risks involved or the mitigating actions that have been adopted.

MYOB operates in a competitive industry

MYOB's operating performance is influenced by a number of competitive factors including the success and awareness of its brand, the loyalty of its user base, its relationship with accountants and other partners, the scope of its product offering and, its commitment to ongoing product innovation. MYOB competes against other providers of software and services and any change in the competitive environment may impact MYOB's ability to retain existing users and attract new users. There is a risk that competitor activity (such as aggressive marketing campaigns, product innovation, price discounting or new competition) may negatively impact MYOB's business.

MYOB continuously monitors and reports internally on competitor activity. This ensures that the Company is well prepared to respond and adapt when required. MYOB's strategic planning identifies, assesses and manages a wide range of competitor related risks (see below).

Strategic risk

MYOB has a clear strategy to ensure the continued growth of the organisation. MYOB's strategic direction, together with its ability to successfully execute on that strategy, is critical to its future success. It is possible that this strategy may not succeed, in whole or in part. This could ultimately result in an inability to attract and retain clients.

MYOB devotes a significant amount of time and resources to developing, monitoring and reviewing its strategic direction. This process involves a number of activities, including:

- dedicated strategy days at Board and Executive level;
- regular engagement with external subject matter experts and consultants; and
- ongoing monitoring and review of strategy lead by the Chief Strategy Officer.

MYOB is confident that its thorough approach to the development, review and execution of its strategy greatly reduces its risk in this area.

Risk to security and integrity of sensitive information

Any accidental or wilful security breaches or other unauthorised access to MYOB's clients' data may subject MYOB to reputational damage, claims by users, loss of key users, legal action and regulatory scrutiny. Any broader data security issues experienced by cloud or internet companies in Australia and New Zealand (or elsewhere) could adversely impact trust in cloud solutions generally, which may have a material adverse effect on MYOB's ability to migrate users to its cloud products and generate revenue growth.

MYOB systems are architected, built and managed to reduce the potential for security or data privacy breaches. MYOB's hosting partners use highly secure, fully redundant data centres and penetration testing is undertaken regularly, as is disaster recovery planning and testing.

Integration of acquired businesses and execution of new acquisitions

MYOB has expanded through acquisitions in the past and may do so in the future. Future acquisitions present challenges and risks relating to the integration of each business into MYOB's operations. The acquired businesses could consume a disproportionately large amount of management time and attention during integration, and the acquisitions may fail to meet strategic objectives, generate the anticipated improvement in financial performance, or produce other expected synergies.

MYOB follows a well-established process for acquisitions, including initial strategic and financial analysis, due diligence and contract execution which MYOB undertakes in conjunction with its accounting and legal advisers. Once a business is acquired, MYOB has a robust process covering people, systems, products and clients to ensure the acquired business delivers on or exceeds the expected financial and operational results.

Reliance on core and third party IT infrastructure

MYOB and its cloud users are dependent on the performance, reliability and availability of MYOB's technology platforms, third party data centres and global communications systems, including servers, the internet, hosting services and the cloud environment in which it provides its products.

It is possible that MYOB's technology platform may be compromised and MYOB may experience operational issues which are beyond its control, including:

- outages at third party data centres that host MYOB's products;
- external malicious interventions such as hacking; or
- a force majeure event that affects the information technology systems of either MYOB or its suppliers, including interruption by fire, natural disaster, power loss, or other events beyond MYOB's control.

If MYOB's technology platform is compromised or suppliers' redundancy infrastructure and systems prove insufficient, MYOB's ability to reliably service its users may be compromised, which in turn may have a material adverse effect on MYOB's brand, reputation and user relationships.

MYOB uses Microsoft Azure and Amazon Web Services for the provision of data centres for its key online products, and MYOB core systems are hosted in an external data centre managed by Interactive Pty Ltd. These partners host this data in highly secure, fully redundant data centres, and MYOB's communications infrastructure is similarly secure. MYOB's relationships with these providers are designed to maximise reliability and connectivity, with ongoing systems testing and monitoring.

Ability to attract and retain key personnel

MYOB's ongoing success depends on its ability to attract and retain key executive officers, senior leadership team (including key members of its technology team) and all other appropriately skilled personnel. MYOB continues to develop leadership, learning, development and engagement initiatives to drive and deliver a results-oriented and high-engagement culture. This high-performance culture engages, empowers and connects MYOB's people to drive business success. As a tech employer of choice, MYOB is also proud to offer employees the opportunity to work in state of the art work spaces which facilitate agile work practices, including the MYOB innovation hub in Richmond, Victoria. While MYOB strives to retain key personnel, the loss of one or more key personnel may adversely impact MYOB's business, financial performance and operations.

Sensitivity to changes in political and regulatory environments

MYOB's business is influenced and affected by laws, accounting standards and government policy in Australia and New Zealand. MYOB works closely with the ATO and IRD, monitors relevant changes in laws, accounting standards and government policies, and also works with accountant partners to ensure products and services are compliant at all times.

If MYOB does not deliver software that accurately responds to relevant changes in laws, accounting standards and government policies, it could adversely impact its business, financial performance and operations.

BOARD OF DIRECTORS

JUSTIN MILNE BA, FAICD

Independent Non-executive Director, Chair

Appointed: Chair since March 2015

Background and experience: Justin has held many senior executive positions within the technology and communications sector throughout his career. He was Managing Director of the Microsoft Network Australia (from 1995 to 1997) prior to becoming Chief Executive Officer of OzEmail (from 1998 to 2002). He was then appointed Group Managing Director at Telstra and was responsible for BigPond Broadband and Telstra's media businesses from 2002 to 2010.

Other roles: Chairman and non-executive director of Netcomm Wireless Ltd (since March 2012), non-executive director of Tabcorp Ltd (since August 2011), non-executive director of the NBN Co Limited (since November 2013), non-executive director of Members Equity Bank (November 2012 to October 2018), Chairman of the Australian Broadcasting Corporation (April 2017 to September 2018), and non-executive director of SMS Management and Technology (August 2014 to September 2017).

TIM REED MBA, BCom (Hons)

Executive Director, Chief Executive Officer

Appointed: September 2011

Background and experience: Tim joined MYOB in June 2003 after working in several global technology and internet companies that were based in Silicon Valley, USA. Since commencing at MYOB, Tim has held a range of senior management roles within the company and was appointed CEO in 2008. Through his time at MYOB he has overseen the business' growth and ongoing transformation into an online business. He led the creation of the Enterprise division in 2007 in addition to the strategic acquisition of BankLink in 2013.

Other roles: Business Council of Australia Board Member (since September 2017), and Male Champions of Change – STEM Group (since October 2016).

ANNE WARD BA LLB, FAICD

Independent Non-executive Director,
Chair of the Remuneration and Nomination Committee

Appointed: March 2015

Background and experience: Anne has wide-ranging experience as a commercial lawyer, advising major corporations on strategic transactions, mergers and acquisitions, capital markets, contract law and regulation and corporate governance. She was General Counsel (Australia and Asia) for National Australia Bank and was a corporate partner at two major Australian law firms, Minter Ellison and Herbert Geer. In 2013, Anne's achievements were recognised when she was named one of Australia's 100 Women of Influence by Westpac and the Australian Financial Review.

Other roles: Non-executive director of Redbubble Ltd (since March 2018), Member of RMIT University Council (since April 2015), Chairman and Independent director of Colonial First State Investments Ltd, Avanteos Investments Limited and Colonial Mutual Superannuation Pty Ltd (since January 2013), Chairman and non-executive director of Qantas Superannuation Limited (since April 2005), non-executive director of FlexiGroup Ltd (from January 2013 to August 2015, and Chairman of Zoological Parks and Gardens Board of Victoria (from March 2013 to June 2018).

ANDREW STEVENS MCom, BCom, FCA

Independent Non-executive Director,
Chair of the Audit and Risk Management Committee

Appointed: March 2015

Background and experience: Andrew has extensive experience in business and technology, most notably having held senior leadership roles at IBM and PwC. As the Managing Director, Australia and New Zealand at IBM (from 2011 to 2014), he led the transformation of the business to become a leader in cloud-based computing, helping blue chip clients to derive business benefits from new and emerging technologies. Prior to his senior roles at IBM, Andrew was Chief Operating Officer of PwC Management Consulting, Asia Pacific (from 2000 to 2002).

Other roles: Chairman of Innovation and Science Australia (since December 2018), non-executive director of Stockland Group Limited (since July 2017), non-executive director of Thorn Group Limited (since June 2015), Director of Committee for Economic Development Australia (CEDA) (since 2013), non-executive director of the GWS Giants Football Club (since 2012), Male Champion of Change (since 2011), Chairman of Advanced Manufacturing Growth Centre Limited (from 2015 to February 2019), and non-executive director of the Australian Chamber Orchestra (from 2011 to April 2017).

Left to right: Fiona Pak-Poy, Justin Milne, Edward Han, Craig Boyce, Anne Ward, Andrew Stevens and Tim Reed.

FIONA PAK-POY MBA, B.Eng (Hons) — Independent Non-executive Director

Appointed: January 2017

Background and experience: Fiona is a professional non-executive director with extensive experience in a variety of industries, principally in the technology sector, where she has been an executive, adviser and investor in businesses from high tech start-ups to ASX 50 and Fortune 500 companies. A qualified engineer, Fiona has had executive appointments with the Boston Consulting Group and international engineering firms, based in both Australia and the United States, before being appointed as General Partner of Innovation Capital, an Australian venture capital fund manager (from 2002 to 2013).

Other roles: Non-executive director of Isentia Group (since May 2014), non-executive director of Novotech Aus Holdco (since November 2017), non-executive director of the Sydney School of Entrepreneurship (since December 2016), and member of the Biomedical Translation Fund Committee (since May 2016).

CRAIG BOYCE MBA, BSE, MSC — Non-executive Director

Appointed: September 2011

Background and experience: Craig is currently a Managing Partner in the ALS Investment Fund which supports and finances biotech companies that develop disease modifying therapeutics for ALS (also called Motor Neuron or Lou Gehrig's disease). Craig previously spent 18 years (1998 to 2016) at Bain Capital, where he served as Managing Director. In addition to MYOB, he was involved in a number of key investments by funds advised by Bain Capital, including Retail Zoo, Uniview, RISE Education (NASDAQ: REDU), ChinaPnR, Gymboree China, Fleetcor (NYSE: FLT), Contec, Houghton Mifflin, and SuperPages Canada.

Other roles: Non-executive director of Chemigen (since 2008), non-executive director of Retail Zoo Pty Ltd (from 2014 to 2016), Non-executive director of Fleetcor (from 2006 to 2010), and non-executive director of Contec (from 2008 to 2010).

EDWARD HAN MBA, BA — Non-executive Director

Appointed: April 2017

Background and experience: Edward is a Managing Director of Bain Capital Private Equity LP and is based in Sydney. He joined Bain Capital in 1998 and has been involved in a number of key investments across a wide variety of sectors including technology, software, media, telecommunications, industrials and education. Prior to joining Bain Capital, Edward was a consultant at McKinsey & Company.

Other roles: Director of Only About Children Pty Ltd (since October 2016), Director of Camp Australia Pty Ltd (since February 2017), and Chairman of Hugel, Inc. (since July 2017).

EXECUTIVE MANAGEMENT TEAM

TIM REED — Executive Director, Chief Executive Officer

Tim Reed joined MYOB in June 2003 and was appointed CEO in 2008. Throughout his time, Tim has overseen the business' growth and its transformation into an online business. He has also led the creation of the Enterprise Division in 2007 and several acquisitions, including BankLink and Paycorp. Prior to joining MYOB, Tim worked in Silicon Valley with a number of global technology and internet businesses. Tim serves on the Board of the Business Council of Australia (BCA) and is a Male Champion of Change. Tim holds an MBA from Harvard Business School, graduating as Baker Scholar, and a Bachelor of Commerce (Honours) from the University of Melbourne.

RICHARD MOORE — Chief Financial Officer

Richard Moore joined MYOB in April 2012 as CFO and General Manager, Shared Services. During his time at MYOB, Richard has overseen the company's transition from private to public ownership, with the ASX's largest technology IPO in 2015. Prior to joining MYOB, Richard held multiple senior finance roles across a diverse range of industries, including CFO of Jetstar Airways, CFO of BankWest Business and eight years in finance roles at GE Capital (Europe and Australia). Richard worked for PwC in Edinburgh, Scotland and holds a Master of Arts (Honours) in Economics from the University of Edinburgh. He is also a Member of the Institute of Chartered Accountants of Scotland.

ANDREW BIRCH — Chief Operating Officer

Andrew Birch joined MYOB in 2009 as General Manager, Enterprise Division. In 2017 Andrew was appointed Chief Operating Officer responsible for the strategic direction and delivery across MYOB's go-to-market business units and has lead and integrated a range of acquisitions across the business. Prior to joining MYOB, Andrew held a number of senior management positions within the technology, telecommunications and software sectors. His experience extends across leadership and growth sectors, including Honeywell Pacific and Vodafone Australia, as well as mid-size technology businesses within Australia and New Zealand. Andrew holds a Bachelor of Engineering from Swinburne Institute of Technology and a Master of Business Administration from RMIT University.

HELEN LEA — Chief Employee Experience Officer

Helen joined MYOB in June 2017 as Chief Employee Experience Officer. Prior to joining MYOB, Helen held senior roles in human resources, talent and performance, organisational culture and transformation advisory. Helen's career spans a variety of organisations and sectors, including banking, telecommunications, industrial and consumer goods. Helen worked at British American Tobacco as the global Head of Organisational Culture and later as Head of Human Resources for Australasia, along with positions of Executive Director – Organisational Development and Enterprise Services at Telstra. Helen has a Masters Degree in Organisational Psychology from the University of the Witwatersrand, is a registered Organisational Psychologist and a Fellow of the Australian Human Resources Institute.

JOHN MOSS — Chief Strategy Officer

John Moss joined MYOB in January 2007 and has held positions as Corporate Development Manager, General Manager, Product and General Manager, Business Division before being appointed to his current role as Chief Strategy Officer in February 2012. Prior to joining MYOB, John previously held senior strategy and consulting roles with Sensis, Arthur Andersen and Booz Allen & Hamilton. John also spent 10 years in Europe working in the oil industry for Schlumberger and Shell in engineering and commercial roles. John holds a Master of Business Administration from the Melbourne Business School and a Master of Arts and Bachelor of Arts (Honours) in Engineering Science from the University of Oxford.

NATALIE FEEHAN
General Manager, Marketing

Natalie Feehan joined MYOB in May 2015 as General Manager Marketing and in 2018 moved into the role of General Manager Marketing and Direct Sales. Natalie has more than 20 years of marketing experience, with extensive management experience in technology businesses. Prior to joining MYOB, Natalie held a number of senior marketing positions at REA Group, and has also worked for brands including MINI, BMW Australia, GE, Mercedes-Benz and HSBC. Natalie holds a Bachelor of Business (Marketing, Human Resource Management) and a Master of Commerce from Swinburne University of Technology.

NICK BURKETT
General Manager, Clients

Nick Burkett joined MYOB in 2012 as Strategy Manager. He then became Retention & Renewals Manager and Head of Client Sales & Service prior to being appointed General Manager of Clients. Prior to MYOB, Nick was at Bain & Company working in Australia, China, the UK and South Africa where he focused on the Telecommunications, Media and Technology sector. Nick holds degrees in Computer Science, Electrical Engineering and a Diploma of Modern Languages in Mandarin from the University of Melbourne. Nick was on the Dean's honours list multiple times, won the prize for best final year Electrical Engineering project, and graduated with first class honours.

DAVID WEICKHARDT
General Manager, Product

David joined MYOB in November 2016 as General Manager, Product. Prior to joining MYOB, David was growing and improving businesses for six years for BHP Billiton, in Australia and the US. Formerly he was an associate principal at McKinsey, working in Australia, the UK and the Middle East. While at McKinsey, David helped a wide variety of technology and industrial companies develop breakthrough growth strategies, improve operational performance and deliver large capital investment projects. David holds a Masters of Business Administration from Stanford University (where he was a Siebel Scholar and an Arjay Miller Scholar), and holds degrees in Computer Science and Electrical/ Electronics Engineering (first class Honours) from the University of Melbourne.

HUGH FAHY
General Manager, Engineering

Hugh Fahy joined MYOB in June 2017 in the role of General Manager, Engineering. Prior to joining MYOB, Hugh held a number of technology leadership roles in telecomms, gaming and eCommerce, including most recently Group CTO of Net-A-Porter and Development and Product Director at Betfair. Hugh spent 15 years with the Vodafone Group in the UK, Hungary and South Africa. Hugh was also one of the founders of betNOW, an innovative social gaming start-up in the UK and was VP, Engineering of Motricity in North Carolina developing mobile content solutions. Hugh holds a BSc (Honours) in Computing and Informatics from Plymouth University.

MANAGEMENT COMMENTARY

This commentary is designed to assist shareholders to understand MYOB's business performance and the factors underlying its results and financial position. This commentary should be read in conjunction with the financial disclosures included in the Financial Report of the Annual Report. The period of review covers from 1 January 2018 to 31 December 2018.

1 MYOB BUSINESS UPDATE

In November 2017, at MYOB's annual Investor Day, the Company announced a 2-year period of accelerated investment in Research & Development (R&D) and Sales & Marketing. This acceleration is well underway, and the 2018 financial results are reflective of this investment, with growing revenues and stable underlying EBITDA.

The investment is progressing as planned, with delivery of the MYOB Platform being pulled forward to 2020, and the ramp up of the sales force and marketing investment proceeding as expected.

2 OVERVIEW OF FINANCIAL RESULTS

MYOB has delivered a year of solid growth, with revenue up 7 per cent, underlying EBITDA stable, NPAT (Net Profit After Tax) up 5 per cent and NPATA up 2 per cent from FY17. This performance was underpinned by revenue growth in all segments, with increased investment in Research & Development and Sales & Marketing compared to the prior year. Table 1 below contains a high-level view of MYOB's financial results.

2.1 NPATA RESULT

MYOB considers NPATA (net profit after tax and after adding back the tax effected amortisation expense related to acquired intangibles), rather than NPAT, to be a more meaningful measure of after-tax profit due to the large amount of non-cash amortisation of acquired intangibles that is reflected in NPAT.

NPATA was $103.6 million against the result for FY17 of $101.6 million. The increase of 2 per cent was primarily due to the stable year on year EBITDA noted above, plus a $12 million gain on revaluation of a previously held equity accounted investment, offset by $10 million higher depreciation and software amortisation.

TABLE 1: FINANCIAL RESULTS

$M; 12 MONTHS ENDED 31 DECEMBER	2018	2017	vFY17
Revenue	445.2	416.5	7%
Underlying EBITDA	189.6	189.9	0%
Statutory EBITDA	181.0	182.2	(1%)
NPAT	63.8	60.7	5%
NPATA	103.6	101.6	2%

MYOB uses an underlying EBITDA measure which more appropriately reflects the operational performance of the business. This measure excludes one-off and non-recurring expenses which are predominantly transaction and integration costs from acquisitions.

The reconciliation between statutory EBITDA and underlying EBITDA is shown in Table 2 on the following page.

2.2 RECONCILIATION FROM STATUTORY TO UNDERLYING EBITDA

TABLE 2: RECONCILIATION FROM STATUTORY TO UNDERLYING EBITDA

		EBITDA	
$M; 12 MONTHS ENDED 31 DECEMBER	**NOTE**	**2018**	**2017**
Statutory Result		**181.0**	182.2
Acquisition transaction and integration costs	1	5.0	5.2
Business transformation one-off costs	2	3.5	1.2
(Gain)/loss on FX translation of intercompany loans	3	(0.1)	1.3
(Gain)/loss on sale of fixed assets	4	0.2	–
Total one-off non-recurring adjustments		**8.6**	7.7
Underlying Result		**189.6**	189.9

Notes to Table 2:

1 An adjustment has been made to remove one-off transaction costs, redundancy and integration costs relating to the acquisition of Paycorp ($3.0 million) and terminated acquisition of Reckon ($2.0 million).

2 Adjustment to remove the impact of business transformation initiatives and costs including redundancy payments and the business preparation for STP and redundancies.

3 Adjustment to remove the foreign exchange movement on intercompany loans between AU and NZ entities, which are not related to the underlying performance of the business.

4 Adjustment to remove the gain on sale of fixed assets, which are not related to the underlying performance of the business.

2.3 UNDERLYING EBITDA

MYOB's underlying EBITDA was $189.6 million, in line with FY17 due to the previously announced investment in Sales & Marketing (now 22 per cent of revenue). Year on year underlying EBITDA growth would have been 5 per cent excluding this additional investment.

TABLE 3: REVENUE, TOTAL OPERATING EXPENSES AND UNDERLYING EBITDA

$M; 12 MONTHS ENDED 31 DECEMBER	**2018**	**2017**	**vFY17**
Revenue	445.2	416.5	7%
Operating Expenses	(255.6)	(226.6)	13%
Underlying EBITDA	**189.6**	189.9	0%
Underlying EBITDA Margin %	42.6%	45.6%	(3.0%)

Revenue growth of 7 per cent and operating expenses increased by 13 per cent, compared to FY17, resulting in a decrease in underlying EBITDA margin (EBITDA as a percentage of revenue) of 3 percentage points to 42.6 per cent.

2.4 REVENUE BY SEGMENT

Revenue grew by 7 per cent, was driven by continued revenue growth in all segments, with the primary driver of overall growth being SME revenue within the Clients & Partners segment.

Recurring revenue, which is revenue derived from paying users including subscription and maintenance payments, but excluding one-off perpetual and new licence payments, was up 0.4 percentage points to 96.5 per cent of total revenue, driven by the continued shift to online subscriptions in the Clients & Partners and Enterprise Solutions segments.

TABLE 4: REVENUE BY SEGMENT

$M; 12 MONTHS ENDED 31 DECEMBER	**2018**	**2017**	**vFY17**
Clients & Partners: SME	278.1	257.6	8%
Clients & Partners: Practice	86.2	85.8	0%
Enterprise Solutions	67.8	64.6	5%
Payments Solutions	10.7	6.3	70%
Group	2.4	2.2	10%
Total Revenue	**445.2**	416.5	7%
Recurring Revenue %	96.5%	96.1%	0.4%

MYOB Revenue is generated from three core segments, Clients & Partners, Enterprise Solutions and Payments Solutions.

Clients & Partners

Clients & Partners revenue grew by 6.1 per cent to $364.3 million in FY18, predominantly driven by growth in revenue from SMEs.

Revenues from SMEs grew by 8.0 per cent compared to the prior year. The increase was primarily driven by an uplift in recurring revenue of 8.1 per cent, representing 99 per cent of total revenue from SMEs in FY18. The growth in recurring revenue is attributed to:

- Average paying users growing 4.6 per cent which was driven by a 28 per cent year on year increase in online SME subscribers (from 304,000 to 388,000), an increasing rate of migrations from active non-paying to paying online users and a record 83 per cent retention rate.
- ARPU growing by 3.5 per cent year on year to $438 in FY18, reflecting a combination of annual price increases for SME subscribers, short-term discounts for attracting new clients, and a mix shift to higher-value Accounting & Payroll clients.

Revenue from Practices grew by less than 1 per cent and was slightly below FY17. Recurring revenue was up 0.7 per cent (compared to 2.4 per cent in the prior year), driven by a ~2 per cent growth in subscription revenue, offset by a reduction in services revenue due to the reduced number of new desktop software sales in the year. Recurring revenue now makes up 98.5 per cent of revenue from practices. New software sales were down 19 per cent on prior year, in line with expectations, as new online modules replace desktop sales opportunities.

Enterprise Solutions

Enterprise Solutions revenue grew by 5.0 per cent, delivering an underlying growth rate (excluding FY17 one-off revenue) of 8.2 per cent in FY18 compared to FY17. The number of installed sites of MYOB's online ERP solution, MYOB Advanced, increased by 43 per cent on the prior year, reaching more than 580 sites at the end of FY18.

Organic recurring revenue growth of 9.4 per cent was driven by continued strong uptake of MYOB Advanced, with sales from MYOB Advanced continuing to make up more than half of MYOB ERP sales in FY18 (60 per cent). New licence revenue grew by 3.2 per cent with continued strength in Tier 2 PayGlobal and Greentree products.

The $1.9 million of one-off revenue in FY17 related to the sale of the Greentree UK business.

Payments Solutions

Payments Solutions revenue for FY18 was $10.7 million, up 70 per cent on the prior year. This revenue represents Payments revenue from the Paycorp acquisition (rebranded MYOB PayBy), reflecting 12 months revenue in FY18 compared to 9 months in FY17. On a like-for-like basis, the year on year organic revenue growth rate was 39 per cent.

Separately, revenue from online invoice payments (reported in MYOB SME revenue) grew by 53 per cent (organically) as the number of merchants and transactions continued to climb, boosted by the introduction of BPAY in mid-2018.

Group

Group revenue relates to grant income received in New Zealand, totalling $2.4 million in FY18.

For more information on segment revenue, refer to the Business Segments section on page 17 to 19.

2.5 OPERATING EXPENSES

Operating expenses increased by 13 per cent from FY17 as a result of accelerated investment in Sales & Marketing and the full year impact of the Paycorp acquisition in April 2017. As a proportion of revenue, total operating costs reflected 57 per cent of revenue, up 3 percentage points from FY17.

TABLE 5: OPERATING EXPENSES

				% REVENUE		
$M; 12 MONTHS ENDED 31 DECEMBER	**2018**	**2017**	**vFY17**	**2018**	**2017**	**vFY17**
Cost of Goods Sold	37.8	35.9	5%	8%	9%	(1%)
Sales & Marketing	98.1	82.1	20%	22%	20%	2%
Services & Support	38.2	34.7	10%	9%	8%	1%
Research & Development	31.8	32.5	(2%)	7%	8%	(1%)
General Office/Admin	49.6	41.4	20%	11%	10%	1%
Total Operating Expenses	217.8	190.6	14%	49%	46%	3%
Total COGS + Opex	**255.6**	226.6	13%	**57%**	54%	3%

Cost of Goods Sold increased due to higher online hosting costs, reflecting the increased penetration of online solutions in all segments.

Aside from COGS, operating expenses grew by 14 per cent, faster than revenue growth due to accelerated investment in Sales & Marketing.

Sales & Marketing expenses increased by 20 per cent from FY17 and was 22 per cent of revenue in FY18. This was driven by increased investment in MYOB's field sales force and digital marketing, to support the accelerated investment in the MYOB Platform and the growth in online subscribers. Approximately $9 million of the additional $30 million Sales & Marketing investment announced in November 2017 has been spent to 31 December 2018.

Services and support expenses grew by 10 per cent in FY18, driven by ongoing increased investment in people and technology in the customer support contact centre.

Research & Development (R&D) expenses were down 2 per cent in FY18 to $31.8 million, and all of the incremental development was on tools yet to generate revenue, hence the additional investment was capitalised. Overall total R&D spend was up 24 per cent on FY17 (see table 6).

General office and administration costs increased by 20 per cent in FY18 due to the costs of cumulating Long-Term Incentive Plan (LTIP) programs since listing and further investment in people-related initiatives, together with the full year impact of the Paycorp acquisition in April 2017.

Research & Development

R&D costs are primarily staff-related. In FY18 total R&D costs increased by 24 per cent to $84 million, with the percentage of revenue also increasing by 2.6 percentage points to 18.9 per cent.

In line with the accelerated investment announced in November 2017, the FY18 incremental R&D investment was focused on the MYOB Platform, including the new products and features referenced in section on pages 20 to 21, as well as the acceleration of the delivery of the future Platform modules, to 2019/2020. Approximately $12 million of the $50 million Platform acceleration has been invested to 31 December 2018.

The MYOB accounting policy is to expense R&D on existing products and to capitalise R&D costs relating to new products that have not been released in the market and have not generated any revenue, in order to match the timing of the recognition of the expense and associated revenue. As such, the majority of these incremental costs were capitalised rather than expensed.

This resulted in a higher capex/opex ratio in FY18 (62 per cent) than FY17 (52 per cent). For FY19 the Company expects R&D investment levels to increase to approximately 20 per cent of revenue and for capex to make up approximately 60 per cent of the total.

TABLE 6: RESEARCH & DEVELOPMENT SPEND

$M; 12 MONTHS ENDED 31 DECEMBER	2018	2017	vFY17
Expensed R&D	31.8	32.5	(2%)
Capitalised R&D	52.2	35.3	48%
Total	**84.0**	67.8	24%
R&D as a percentage of revenue	18.9%	16.3%	2.6%

2.6 OTHER EXPENSES BELOW EBITDA

Other expenses below EBITDA primarily relate to depreciation and amortisation of capitalised R&D, amortisation of acquired intangibles, funding costs and tax. Table 7 below outlines Other Expenses below EBITDA and its composition.

TABLE 7: OTHER EXPENSES BELOW EBITDA

$M; 12 MONTHS ENDED 31 DECEMBER	2018	2017	vFY17
Statutory EBITDA	**181.0**	182.2	(1%)
Depreciation/software amortisation	(32.8)	(22.3)	47%
EBITA	**148.2**	159.9	(7%)
Amortisaton of acquired intangibles	(56.9)	(58.4)	(3%)
EBIT	**91.3**	101.4	(10%)
Net interest expense	(15.5)	(13.6)	14%
Gain on revaluation of previously held equity accounted investment	12.0	–	–
Share of losses from equity accounted investments	(2.7)	(2.4)	13%
PBT	**85.2**	85.5	0%
Tax expense	(21.4)	(24.8)	(14%)
NPAT	**63.8**	60.7	5%
D&A add back (tax effected)	39.9	40.9	(3%)
NPATA	**103.6**	101.6	2%

Depreciation/software amortisation increased by 47 per cent in FY18 due to increased levels of R&D capitalisation over the past 3 years, driven by the shift in spend to accelerating the delivery of the MYOB platform.

Amortisation of acquired intangibles decreased by 3 per cent due to certain intangible asset categories being fully amortised.

Net interest expense increased by 14 per cent due to the slightly higher interest rate environment in FY18, together with higher average debt levels.

The gain on revaluation of previously equity accounted investment came about from the increase in MYOB's ownership in Kounta, to 50.1 per cent in December 2018, resulting in its consolidation and subsequent revaluation of the previously held investment.

Share of losses from equity accounted investments increased by 13 per cent in FY18.

The effective tax rate in FY18 was 25 per cent, (statutory 30 per cent) due to the aforementioned gain on revaluation not being taxable income. Excluding the impact of this gain, the effective tax rate was 29 per cent, lower than the statutory tax rate due to R&D tax rebates claimed in the Australian tax group.

Depreciation & Amortisation (D&A) add back (tax effected) is 70 per cent of the non-cash amortisation of acquired intangibles, which is added back to NPAT to determine NPATA, hence has moved in line with the amortisation of acquired intangibles (down 3 per cent on FY17).

3. BALANCE SHEET

TABLE 8: BALANCE SHEET

$M; 12 MONTHS ENDED 31 DECEMBER	2018	2017
Assets		
Current assets		
Cash and cash equivalents	34.9	54.8
Other current assets	64.0	45.6
Total current assets	**98.9**	100.4
Non-current assets		
Intangible assets and goodwill	1,277.1	1,256.6
Other non-current assets	49.5	42.9
Total non-current assets	**1,326.5**	1,299.5
Total assets	**1,425.5**	1,399.9
Liabilities		
Current liabilities		
Unearned revenue	52.7	50.0
Other current liabilities	73.9	50.8
Total current liabilities	**126.6**	100.7
Non-current liabilities		
Interest-bearing loans and borrowings	450.5	432.5
Other non-current liabilities	27.3	22.2
Total non-current liabilities	**477.8**	454.7
Total liabilities	**604.5**	555.4
Net assets	**821.0**	844.4
Equity		
Contributed equity	1,098.4	1,141.6
Retained earnings	(308.4)	(304.8)
Outside equity interest	19.7	0.0
Reserves	11.3	7.7
Total equity	**821.0**	844.4

The cash balance of $35 million was $20 million lower than December 2017 due to the 2017/18 share buyback ($45 million spent in FY18).

The net current asset position (current assets less current liabilities) was negative $28 million in FY18 compared to positive $0.3 million in FY17 due to the aforementioned share buyback.

Intangible assets increased in FY18 due to predominantly to the acquisition of Kounta.

The debt position is $18 million higher than FY17, again related to the share buyback undertaken during FY18.

Contributed equity was lower due predominantly to the Share buyback scheme.

4. MYOB CASHFLOW GENERATION

Cash conversion in FY18 was 59 per cent, below FY17 due to higher levels of capital expenditure (both R&D and other) in FY18. Table 9 shows MYOB's cash flow conversion.

TABLE 9: FREE CASH FLOW CONVERSION

$M; 12 MONTHS ENDED 31 DECEMBER	2018	2017
EBITDA	**181.0**	182.2
Non-cash items in EBITDA	1.9	1.9
Change in net working capital	(3.6)	(1.8)
Operating free cash flow before capital expenditure	**179.3**	182.4
R&D capex	(52.2)	(35.3)
PPE and other capital expenditure	(19.8)	(15.8)
Net free cash flow before financing, tax and dividends	**107.3**	131.2
Cash conversion %	59%	72%

Operating free cash flow before capital expenditure decreased by $3.1 million, or 2 per cent, from FY17, in line with flat underlying EBITDA and slightly negative movement in net working capital.

Change in net working capital was $1.8 million negative from FY17, due to movements in prepayment and trade debtor balances.

The majority of capital expenditure spend is R&D, which made up $52.2 million of the $72.0 million total capex in FY17 (72 per cent, up 3 percentage points on FY17). Other capex increased from $15.8 million in FY17 to $19.8 million in FY18, due to increased Property, Plant and Equipment spend.

5. DEBT LEVELS

Table 10 compares the indebtedness of MYOB as at 31 December 2018 and 31 December 2017.

TABLE 10: INDEBTEDNESS

$M; 12 MONTHS ENDED 31 DECEMBER	2018	2017
Interest bearing loans and borrowings	450.5	432.5
Cash and cash equivalents	(34.9)	(54.8)
Net indebtedness	**415.6**	377.7
Debt ratios:		
Net debt/EBITDA	2.19x	1.99x
Interest coverage (EBITDA/net interest costs)	12.26x	13.96x

The financial covenants contained in the facility agreement outlined in the IPO prospectus were tested as at 31 December 2018 and show significant headroom. Net debt/EBITDA was ~2.2x as at 31 December 2018.

For details on MYOB's strategy and risk refer to pages 14 to 15 and 28 to 29 respectively.

6. FY19 GUIDANCE AND MEDIUM-TERM TARGETS

TABLE 11: FY19 GUIDANCE AND MEDIUM-TERM TARGETS

MEASURE	2018	2019	Target 2022
Organic revenue growth	6.8%	6%–8%	High single digit %
Research & Development [1]	18.9%	~20%	<16%
Underlying EBITDA margin [2]	42.6%	>38%	>45%
Free cash flow [3]	$107m	>$100m	>$200m

NOTE:

1 Total R&D (opex + capex) as a percentage of revenue.

2 Underlying EBITDA as a percentage of revenue.

3 Statutory EBITDA less net working capital and capex.

On 21st February 2019, MYOB provided investors with an update on FY19 guidance, these are set out below:

- Organic revenue growth expected to be in the range of 6%–8% (previously 'high single digit').
- R&D spend expected to be ~20% (previously <20%).
- Underlying EBITDA expected to be >38% (previously >40%) impacted by the consolidation of Kounta in December 2018.

MYOB's medium-term targets remain unchanged and are set our below:

- Online subscribers: 1 million in 2020.
- Total revenue growth: Double digit.
- Organic revenue growth: High single digit.
- Underlying EBITDA margins: >45% from 2022.
- R&D investment: <16% from 2022.
- Free cash flow: >$200 million from 2022.

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 financial period ended 31 December 2018 (FY18).

PRINCIPAL ACTIVITIES

The principal activities of the Group during the 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 AND MEETINGS OF DIRECTORS

The table below sets out the Directors of the Group and details the number of Board and Committee meetings held and attended by those Directors, during FY18.

All persons below were Directors of the Group during the whole of FY18 and up to the date of this report, unless otherwise stated.

	BOARD MEETINGS		AUDIT AND RISK MANAGEMENT COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE		INDEPENDENT BOARD COMMITTEE (KKR TRANSACTION)	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
CEO and Executive Director								
Tim Reed	16	16	–	–	–	–	–	–
Non-executive Directors								
Justin Milne	16	16	4	4	–	–	2	2
Andrew Stevens	16	15	4	4	4	4	2	2
Anne Ward	16	16	–	–	4	4	2	2
Craig Boyce	16	15	4	4	–	–	–	–
Fiona Pak-Poy	16	14	–	–	4	4	2	2
Edward Han	16	9[1]	–	–	4	3	–	–

(A) Number of meetings held during the time the Director held office and was eligible to attend as a member.

(B) Number of meetings attended.

1 Edward Han recused himself from five Board meetings related to the KKR transaction.

The qualifications and experience of Directors, including current and recent directorships, are detailed on pages 30 to 31 of this Annual Report.

CORPORATE GOVERNANCE

An overview of the Company's corporate governance framework can be found on page 26 of this Annual Report. The full corporate governance statement is available on the Company's website at https://investors.myob.com.au/governance/

COMPANY SECRETARY

The Company Secretary is Peter Hamblin. Peter joined the Group in January 2016 as Legal Counsel and has held the positions of Legal Counsel and Company Secretary since August 2018. Prior to joining the Group, Peter was a lawyer at Clayton Utz and then Legal Counsel at ANZ Banking Group. Peter is an Australian Legal Practitioner and was admitted to practice in 2011. Peter has a Bachelor of Laws (Honours) and Bachelor of Commerce from Monash University.

OFFICERS

The names and roles of other Officers of the Company during FY18 are shown in section 1 'Key Management Personnel' of the Remuneration Report on page 45 of this Annual Report.

INSURANCE OF OFFICERS

During the financial period, MYOB Group Limited entered into Deeds of Indemnity and paid a premium to insure the Directors, Officers and Managers of the Company and its controlled entities. The terms of the insurance contract require that the amount of the premium paid be kept confidential.

AUDIT AND NON-ASSURANCE SERVICES

PricewaterhouseCoopers (PwC) continues in office in accordance with section 327 of the *Corporations Act 2001*.

It is the Group's policy to engage PwC on assignments additional to their statutory audit duties where their expertise and experience with the Group are important. These assignments are principally due diligence reporting on acquisitions and tax advice. Details of the amounts paid or payable for non-assurance services by PwC are disclosed in Note 22 'Auditor's remuneration' to the Financial Statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-assurance services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are satisfied that the provision of non-assurance services by the Auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-assurance services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the Auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 58 of this Annual Report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the Company, nor have any applications for leave to do so been made in respect of the Company, under section 237 of the *Corporations Act 2001*.

ENVIRONMENTAL REGULATION

The operations of the Group are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

OTHER INFORMATION

On 23 December 2018, MYOB entered into a binding Scheme Implementation Agreement with Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, KKR), under which, subject to the satisfaction or waiver of a number of Conditions Precedent, it is proposed that KKR will acquire all of the ordinary shares in MYOB that it and its Associates do not already own pursuant to a scheme of arrangement (Scheme). If the Scheme is implemented, Scheme Shareholders will be entitled to receive the Scheme Consideration, being a cash payment of $3.40 for each MYOB Share held by each Scheme Shareholder as at the Scheme Record Date.

Subsequent to the lodgement of MYOB's FY18 financial statements on 21 February 2019, MYOB announced on 22 February 2019 that the 'go shop' period in relation to the KKR Scheme had concluded with no Superior Proposal emerging. The 'go shop' provisions permitted MYOB and its advisers to solicit competing proposals, and with a commitment from KKR to sell its shareholding into, or vote in favour of, any Qualifying Superior Proposal.

For further information refer to the Scheme Booklet released to the ASX on 14 March 2019.

Other than the matter outlined above, no matters or circumstances have arisen since the end of the financial year 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 years.

The following information, contained in other sections of this Annual Report, also forms part of this Directors' Report:

- Management Commentary on pages 34 to 40;
- Details of dividends paid as outlined in Note 4 'Dividends' to the Financial Statements;
- Significant changes in the state of affairs as outlined in Note 12 'Business combinations' and Note 20 'Events occurring after reporting date' to the Financial Statements;
- Likely developments in the operations of the Group are outlined in section 6 'FY19 Guidance and Medium-Term Targets' section of the Management Commentary on page 40; and
- Remuneration Report on pages 44 to 57.

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.

Justin Milne
Chairman

Tim Reed
Executive Director and Chief Executive Officer

Sydney
29 March 2019

REMUNERATION REPORT

Dear Shareholder,

On behalf of the Board I am pleased to present MYOB's Remuneration Report for 2018.

A critical role for any Remuneration and Nomination Committee is to ensure competitive remuneration that supports the attraction, motivation and retention of talented people, whilst aligning their performance with shareholder value creation. The remuneration structure needs to be specific to the context of the particular organisation, taking into consideration its strategic priorities, its competitive landscape and its growth opportunities. At MYOB our remuneration structure has continued to evolve since the Company listed in May 2015, and the Board has been acutely aware of the need for an approach that provides stability and confidence for both participants and shareholders.

In early 2018, we announced the introduction of a new Unified Incentive Plan (UIP). We believed the UIP met our objectives of; being simple and clear for participants; motivating behaviours and decisions in the best interest of the business; competitive; strategically relevant; and aligned to the long-term interests of shareholders.

However, our shareholder community expressed some concerns about the design and structure of this Plan. Over the last year, we engaged with our shareholders, ensuring that we understood their concerns and how best to address them moving forward.

Of course, there is no 'one size fits all' approach, however, the changes that we are implementing to our incentive structures are based on the insights we have gathered from shareholder feedback. Specifically, a gateway will be applied to the equity available under the UIP. This test will measure the compound growth in the organic revenue of the business over the three years in which the shares are held in Trust, with a requirement to meet a "high single-digit growth" threshold in order for equity to vest.

In addition, the Board has decided to introduce this change retrospectively to the terms of the Plan for 2018, as well as for the 2019 Plan.

We believe the modifications we have made to our UIP demonstrate our commitment to developing a remuneration structure that works for our organisation, our participants and for our shareholders.

Anne Ward
Chairman of the Remuneration & Nomination Committee

CONTENTS

This report outlines the remuneration framework and the associated performance outcomes for the Key Management Personnel (KMP) for the financial period ended 31 December 2018 (FY18). The report has been prepared in accordance with the requirements of section 300A of the *Corporations Act 2001*.

The objective of the report is to provide shareholders with an understanding of the Group's remuneration principles and policies and the corresponding relationship between the Group's operating and financial performance to senior executive remuneration outcomes.

1 KEY MANAGEMENT PERSONNEL

The KMP of the MYOB Group include the Chief Executive Officer (CEO) and his direct reports. It also includes all Directors of the Board. KMP during FY18 were:

NAME	POSITION
Non-executive Directors	
Justin Milne	Independent Non-executive Director, Chair
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
Senior executives	
Tim Reed	Executive Director, CEO
Richard Moore	Chief Financial Officer
Andrew Birch	Chief Operating Officer
John Moss	Chief Strategy Officer
Helen Lea	Chief Employee Experience Officer
David Weickhardt	General Manager, Product
Hugh Fahy	General Manager, Engineering

There have been no changes in KMP since the end of the financial period.

SERVICE AGREEMENTS

Salaries are reviewed annually, and any changes implemented are effective from 1 January. The remuneration and other terms of employment for the senior executive KMP are formalised in employment contracts.

The CEO and senior executives are entitled to receive pay in lieu of notice, in addition to any leave entitlements upon cessation of employment. All service agreements are for unlimited duration but may be terminated immediately in the event of serious misconduct, in which case the executive is not entitled to any payment in lieu of notice.

The following table outlines the key contractual arrangements for the CEO and senior executive KMP.

POSITION	CONTRACTUAL TERM	EMPLOYER NOTICE PERIOD	EMPLOYEE NOTICE PERIOD	POST-EMPLOYMENT RESTRAINTS
CEO and Senior executives	Ongoing	6 months	6 months	24-month non-competition period

2 GOVERNANCE

The Remuneration and Nomination Committee (RNC), which operates under its own Charter and reports to the Board, is chaired by Anne Ward and is made up of Non-executive Directors. The Committee's role is to provide advice and assistance to the Board in relation to people management and remuneration policies and to ensure that remuneration outcomes for senior executives are appropriate and aligned to company performance and shareholder expectations.

The RNC Charter, which the Board reviews annually, and was last updated in August 2018 to reflect that the RNC makes recommendations to the Board for approval regarding the Variable Reward for the CEO and the direct reports of the CEO. A copy of the RNC Charter is available at www.myob.com/Investors/Governance.

ROLE OF COMMITTEE

The Committee is charged with a variety of roles relating to the effective governance of remuneration, Board appointments, and policies and practices relating to employees of the organisation. This includes:

- Remuneration policies applying to Directors and allocating the pool of Director's fees;
- Succession planning, appointment and re-election of members of the Board and its Committees;
- Induction and continuing professional development for Directors;
- Performance evaluation of the Board, Committees and Directors;
- Remuneration of senior executives and the executive Director, including fixed and variable remuneration;
- Succession planning for the CEO and senior executives; and
- The Company's performance in respect of the Diversity & Inclusion Policy and objectives.

USE OF REMUNERATION ADVISERS

From time to time the Committee engages external, independent remuneration advisers to provide pertinent information on current and emerging industry trends, regulatory developments and best practice methodology regarding senior executive remuneration.

No remuneration recommendations, as defined by the *Corporations Act 2001*, were provided by remuneration advisers during FY18.

3 REMUNERATION STRATEGY AND MEASURES

MYOB is committed to a remuneration framework that is focused on driving a performance culture and linking pay to the achievement of the Group's in-year and longer term objectives.

Executive remuneration has both fixed & variable components. Fixed remuneration is set at a market competitive rate, taking into account the performance of the individual. Target variable remuneration is set for each individual as a percentage of their fixed remuneration, and the amount actually received depends on the achievement of measures set by the Board.

The variable component for the FY18 performance year (the Unified Incentive Plan or UIP detailed in the following sections) delivers equal awards of cash and equity to participants based on FY18 company performance on:

- EBITDA less Capex, which measures the operating free cashflow the business generates. This measure requires the executive team to win new clients, retain existing clients, manage costs effectively and invest appropriately in product innovation; and
- Market share performance relative to MYOB's lead competitor. Growth in new online subscriptions delivers revenues in the current year, and in a subscription business, is the best measure of future value created.

Whilst cash is paid on completion of the performance year, equity is placed in Trust for 3 years and released subject to performance against a further financial metric:

- The compound annual growth rate of organic revenue. This confirms that the business has continued to grow and perform over time, and that actions taken to deliver in-year results do not harm the medium term growth of the business.

The Board believe this remuneration structure is proving effective in driving the right behaviour amongst the executive team.

4 FY18 REMUNERATION FRAMEWORK

THE UNIFIED INCENTIVE PLAN (UIP)

The UIP was introduced in 2018 and applies to Executives and senior managers defined by job size and reporting relationship to the Executive team or CEO. Seven KMP participate in the plan, with it forming a significant part of their Total Target Remuneration. This is consistent with our desire to have a high proportion of earnings linked to performance and at risk. In addition, equity outcomes under the plan are weighted so that meaningful equity ownership is achieved relatively quickly, ensuring a shareholder mindset.

Market benchmarking for Executive roles is undertaken every 2 years, to ensure that senior leaders remain competitively rewarded. External advisors are used every to source market data and conduct the analysis necessary to enable the comparison of MYOB Target Remuneration with that paid elsewhere under different arrangements. Benchmarking was undertaken in late 2017 to determine the available earnings for executive participants to the UIP.

UIP PERFORMANCE METRICS

The UIP addresses both short term performance requirements and longer term growth expectations. Considerable attention was given to the selection of metrics, recognising that executives make trade-off decisions between:

- The investment in the Research & Development of Product: securing the delivery of our Connected Practice vision through our platform in the knowledge that future market growth is dependent upon this investment today;
- The investment in growing market share via Sales & Marketing: building revenues on products already in market, enhanced brand reputation, client relationships and referrals; and
- The delivery of in-year financial expectations.

The two metrics selected to measure company performance and make UIP awards are:

EBITDA LESS CAPEX

Definition

Statutory EBITDA less all Capex investment (R&D and other).

Why is this an important metric?

With a significant R&D program, excluding Capex ensures a transparent view on all investment in the business and avoids the potential for capitalisation of other costs.

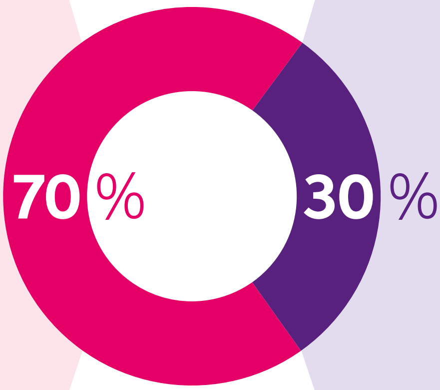
It reflects the trade-off of investment for the future with financial returns.

Calculation

Capex approved within the Budget planning process is used along with Statutory EBITDA (adjusted to remove the cost of the UIP) to provide a measure of Free Cashflow.

How is this a challenging metric?

With much of MYOB's revenue being of a recurring nature, driven by subscriptions, revenue growth from new sales and price increases represents a relatively small percentage of the total revenue each year. An above target achievement on this financial metric would require significant over performance.



MARKET SHARE

Definition

Net movement in online subscriber base compared to our lead competitor.

Why is this an important metric?

In an online subscription-based business, the lifetime value of a customer is significant. Growing this share, and achieving this relative to competitors, secures MYOB's market position for the future and enables growth in future revenue streams.

Calculation

The closing number of subscribers is removed from the opening balance for MYOB and our lead competitor. The proportion of the total combined growth achieved by each company determines their market share growth for the year.

How is this a challenging metric?

Growth in this metric requires attention to be paid to existing customers to avoid churn, to migrate existing desktop customers to online subscriptions, and to capture entirely new customers.

Performance targets for these metrics are approved by the Board as part of the annual budgeting and planning process in the prior year. The approved plan is defined as the 'Target' performance level, with 100 per cent of attainment resulting in 100 per cent of the available incentive award being achieved. Thresholds for under and over performance are also established, with outcomes scaling on a 'straight-line' basis between 0 per cent and 200 per cent of potential (Figure 4.1).

The Board exercises diligence to ensure that challenging but attainable targets are established. Consideration is given to the performance standards that would be associated with both the minimum and maximum thresholds, to ensure that outcomes would appropriately reflect the contribution of the leadership team. Whilst targets are established for the year, mechanisms do exist for an adjustment based on material events. In the event of an acquisition for example, targets are increased to include incremental EBITDA and market share that has been approved by the Board as part of the business case. Earnings above the target award for this metric would therefore require performance ahead of the approved business case.

Differences in the tax treatment of the UIP and the prior LTIP impact the actual (net) value of the reward received by participants. This factor was considered (along with the benchmarking data) when deciding on the quantum available under the scheme to participants.

FIGURE 4.1

EBITDA less Capex	The outcome curve for EBITDA less Capex reflects the criticality and greater predictability of earnings outcomes.	90% of performance target	100% of performance target	110% of performance target
		0% of target award	100% of target award	200% of target award
Market Share	The outcome curve for Market Share accounts for the greater potential variance of the metric.	80% of performance target	100% of performance target	120% of performance target
		0% of target award	100% of target award	200% of target award

After receiving shareholder feedback through FY18, the Board has confirmed the addition of a gateway metric to be applied to the equity component available under the UIP. This gateway is the Compound Annual Growth Rate (CAGR) in Organic Revenue and will be evaluated over the 3 years that the shares are restricted and held in Trust.

Organic Revenue CAGR

Definition	CAGR in organic revenue of the 3 years post the performance year.
Why critical?	This measure adds a requirement for sustained top line growth after the performance year. This reinforces good decisions and actions in the performance period to secure positive growth over time. Further, it aligns with shareholder's expectations for growth and mitigates prior concerns of outcomes based on 1 year's performance only.
Calculation	The measure will focus on organic growth year on year and will be adjusted for investments by removing the value of any revenue acquired from the date of an acquisition or disposal, allowing for a comparable measure year on year. The 3 years combined CAGR will be utilised to determine the equity outcomes.

This measure aligns with our market guidance on Revenue Growth, whilst allowing the Board the flexibility required to explore new investment opportunities from year to year. The principles associated with items included or excluded in the measure will be clearly articulated and disclosed each year.

Since this is a gateway metric, participants will receive 50 per cent of their share allocation on the attainment of a 6 per cent CAGR threshold, moving to a maximum of 100 per cent of their share entitlement at 7.5 per cent, on a straight-line basis. 6 per cent is viewed by the Board to be the minimum acceptable growth that shareholders should expect. The 50 per cent reduction in the outcome for participants aligns them with shareholder growth expectations.

FIGURE 4.2

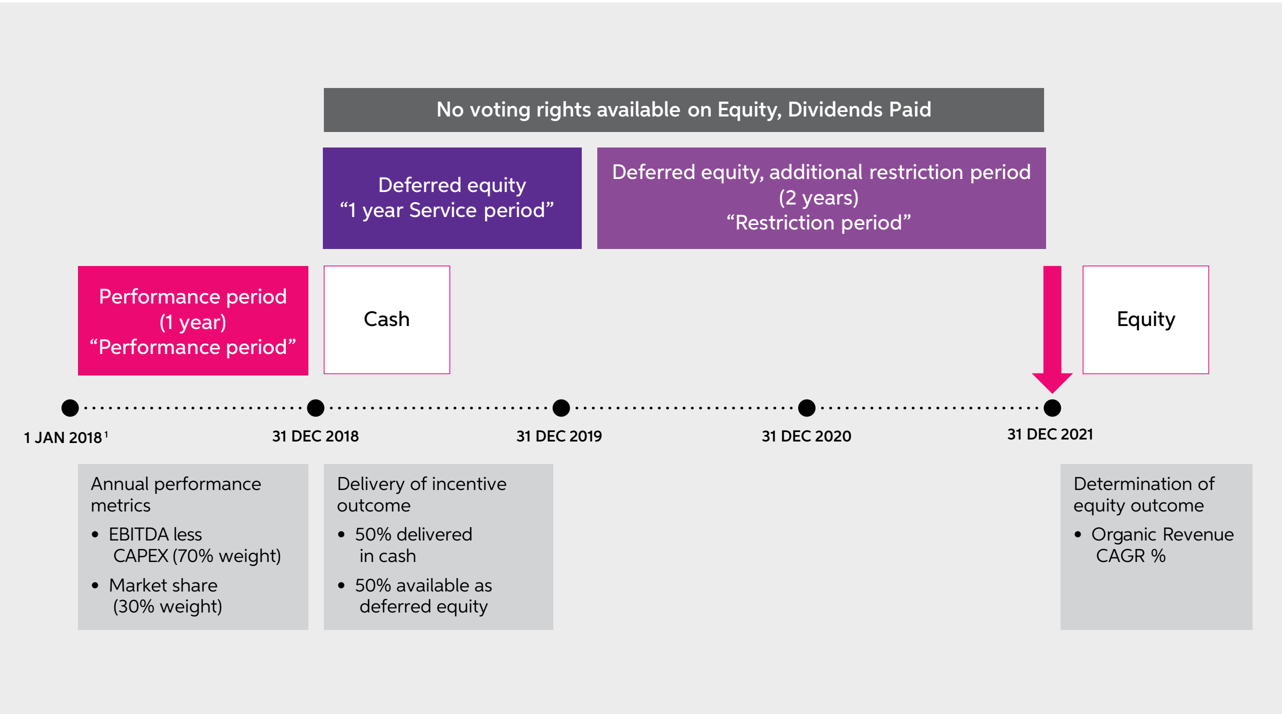
Organic Revenue Growth	5.9% CAGR	6% CAGR	6.5% CAGR	7% CAGR	7.5% CAGR	>7.5% CAGR
Equity released to participants	No award	50%	67%	83%	100%	100%

UIP OUTCOMES

Both the cash and the equity award available to participants are communicated once the Board has approved the Annual Results in February each year. The cash component is then paid, and the maximum quantum of equity awards (rights) available is communicated at the same time. These rights are subject to the executive remaining employed by MYOB for 1 year after the performance year (FY18) and are then restricted for a further 2-year holding period. At the end of this period, the Organic Revenue CAGR calculation is completed to determine the quantum of equity for transfer as per the table below.

Participants will receive dividends on any restricted shares throughout the 3 year restriction period, but they may not vote those shares, other than to provide a voting direction to the Trustee with reference to the Scheme of Arrangement proposed by KKR (Kohlberg Kravis Roberts & Co. L.P. and its affiliates).

FIGURE 4.3



1 Changes to the UIP, adding a Gateway metric to the equity component have been introduced retrospectively to 2018 and for application from 2019 onwards.

REMUNERATION COMPONENTS (FY18)

FIXED REMUNERATION (FR)	PERFORMANCE SHARE SCHEME (LTI)	LONG-TERM INCENTIVE PLAN (LTIP)	UNIFIED INCENTIVE PLAN (UIP)	
	PRIOR YEARS' GRANTS		CASH	EQUITY
FIXED	VARIABLE OR 'AT RISK'			
PURPOSE				
Provide competitive market salary and reward individual contribution. Enable the attraction and retention of talented executives and employees	Provide long-term incentives and deliver long-term shareholder returns (an extension of the private equity Management 'A' share scheme)	Provide long-term incentives and deliver long-term shareholder returns	Incentivise and reward performance against metrics critical to the ongoing success of the organisation	
TERM				
1 year	3 years[1]	3 years[2]	1 year	4 years
INSTRUMENT				
Base salary and other non-monetary benefits including statutory superannuation obligations	Performance shares • Performance shares which may convert to ordinary shares when share price reaches or exceeds pre-determined level on the relevant testing date	Ordinary shares • Performance will be measured at the end of years 2 and 3 with shares vesting at that point should hurdles be met	Cash award	Restricted shares
PERFORMANCE METRICS				
• Individual roles and responsibilities • Level of expertise and effectiveness • Market benchmarking	Share price	• Total Shareholder Return (TSR) (weighting: 50%) • Earnings Per Share (EPS) (weighting: 50%)	Evaluated during the performance year: • Financial Measure (weighted 70%): EBITDA less Capex • Operational Measure (weighted 30%): Group online market share	Evaluated during the performance year: • Financial Measure (weighted 70%): EBITDA less capex • Operational Measure (weighted 30%): Group online market share Evaluated over the 3 years post the performance year: • Organic Revenue Growth CAGR over 3 years
POTENTIAL VALUE				
Targeted median market position	Dependent on meeting prescribed share price hurdles set for the testing dates of 30 September 2017 and 2018 30 September 2018 hurdles were not met, and no additional shares converted	• CEO: 56.25% of FR on target. Maximum LTIP opportunity of 75% of FR • KMP: 22.5–37.5% of FR on target. Maximum LTIP opportunity of between 30% and 50% of FR	• CEO: 75% of FR on target with a maximum opportunity of 150% • KMP: 30-50% of FR on target with a maximum opportunity of 60–100%	• CEO: 75% of FR on target with a maximum opportunity of 150% • KMP: 30–50% of FR on target with a maximum opportunity of 60–100%

1 No additional performance shares have been issued since the Initial Public Offering (IPO) in May 2015. The scheme is closed to new participants. Final testing date was 30 September 2018.

2 Applies to the 2017 grant year only.

5 GROUP FY18 REMUNERATION OUTCOMES AND PERFORMANCE

REMUNERATION OUTCOMES

Whilst the UIP was only introduced in 2018, EBITDA and Online Market Share have been measured for some time as part of the prior Short-Term Incentive arrangement. Historical performance against these targets is disclosed below to illustrate both the performance thresholds and the awards achieved.

	EBITDA TARGET [1,2]	ACHIEVEMENT	% STI AWARDED	ONLINE MARKET SHARE TARGET	ACHIEVEMENT	% STI AWARDED	TOTAL STI% AWARDED
2015	$160.8m	97.4%	74%	N/A	N/A	N/A	74%
2016	$174.0m	100.2%	102%	38.9%	80.7%	0%	71%
2017	$197.4m	96.3%	63%	42.5%	97.9%	89%	71%
2018	$120.1m	96.2%	62%	45.5%	118.3%	191%	101%

1 EBITDA excluding cost of STI/UIP to prevent the potential for underperformance to positively impact EBITDA.

2 Underlying EBITDA in 2015–2017; Statutory EBITDA less capex in 2018.

OVERVIEW OF THE GROUP'S PERFORMANCE

A key objective of the senior executive remuneration strategy is to drive long-term growth in shareholder value, which is accomplished through the achievement of the Group's operating and financial performance objectives.

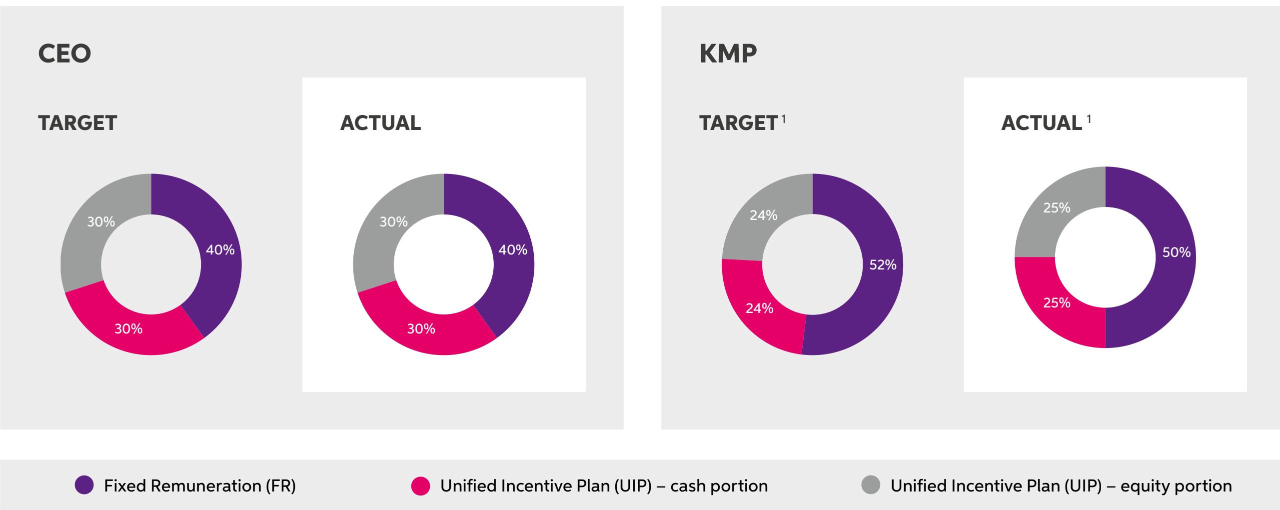
The following table sets out information about the Group's key financial performance and movements in shareholders' wealth for the past four financial years.

FINANCIAL PERIOD ENDED 31 DECEMBER		2015	2016	2017	2018
Revenue	$M	327.8	370.4	416.5	445.2
Underlying EBITDA	$M	152.9	171.4	189.9	189.6
Statutory EBITDA	$M	124.2	164.3	182.2	181.0
Statutory NPATA [1]	$M	(1.7)	92.4	101.6	103.6
Dividends paid	$M	–	62.2	69.3	68.3
Capital expenditure	$M	25.4	36.1	51.1	72.0
Share price	$	3.26	3.66	3.62	3.36
NPATA earnings per share	cents	(0.3)	15.7	16.9	17.6

1 MYOB considers NPATA (net profit after tax and after adding back the tax effected amortisation expense related to acquired intangibles), rather than NPAT, to be a more meaningful measure of after-tax profit due to the large amount of non-cash amortisation of acquired intangibles that is reflected in NPAT.

Details of the Group's operating and financial outcomes for FY18 are further discussed in the 'Management Commentary' section of the Annual Report on pages 34 to 40.

REMUNERATION MIX FY18



1 Calculated using a weighted average.

SENIOR EXECUTIVE REMUNERATION OUTCOMES (ACTUAL) – (NON-IFRS)

The remuneration outcomes table below provides a summary of the remuneration that was actually received by KMP during FY18. We believe that presenting this information provides shareholders with greater clarity and transparency about executive remuneration. This differs from the Senior Executive Remuneration Outcomes (Statutory) table on page 54 which presents remuneration in accordance with accounting standards.

	TOTAL FIXED REMUNERATION			RELOCATION & OTHER BENEFITS	FY18 UIP		TOTAL	PERCENTAGE PERFORMANCE RELATED
	CASH SALARY[1] $	SUPER-ANNUATION[2] $	LONG SERVICE LEAVE[3] $	OTHER[4] $	UIP (CASH)[5] $	UIP (EQUITY)[6] $	$	%
CEO and Executive Director								
Tim Reed	910,373	25,000	19,346	–	723,103	723,103	2,400,926	60
Senior executives								
Richard Moore	515,600	25,000	–	–	272,967	272,967	1,086,533	50
Andrew Birch	544,250	25,000	–	–	287,433	287,433	1,144,115	50
John Moss	304,092	32,326	36,181	–	112,883	112,883	598,365	38
Helen Lea	436,817	24,433	–	5,773	232,900	232,900	932.823	50
David Weickhardt	441,507	41,943	–	–	238,581	238,581	960,611	50
Hugh Fahy	421,233	40,017	–	–	232,900	232,900	927,050	50
Total	3,573,872	213,719	55,527	5,773	2,100,767	2,100,767	8,050,425[7]	52

1 Cash salary – base remuneration.
2 Superannuation payments paid for the period in accordance with relevant statutory requirements.
3 Long service leave utilised during FY18.
4 Relocation and other benefits comprise relocation expenses paid by the Group on behalf of KMP.
5 The UIP cash payments awarded to KMP for FY18 were paid in Q1 2019.
6 The UIP equity awarded to KMP for FY18 were placed in Trust in Q1 2019 and will vest after the 3-year service and restriction periods subject to performance gateways (Figure 4.2).
7 This amount is predominantly different to the total in the Senior Executive Remuneration Outcomes (Statutory) table due to:
– the inclusion of the full cost of the FY18 UIP equity as opposed to the accounting amortisation treatment over 4 years, and
– no equity was earned under the LTIP scheme in FY18 however accounting amortisation of the cost continued.

SENIOR EXECUTIVE REMUNERATION OUTCOMES (STATUTORY) – (IFRS)

		SHORT-TERM BENEFITS			LONG-TERM BENEFITS	POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS (ACCOUNTING COST)		TERMINATION BENEFITS	TOTAL	PERCENTAGE PERFORMANCE RELATED
		CASH SALARY $	UIP (CASH)[1] $	OTHER[2] $	LEAVE[3] $	SUPERANNUATION[4] $	UIP (EQUITY)[5] $	LTIP[6] $	TERMINATION PAYMENTS $	$	%
CEO and Executive Director											
Tim Reed	**2018**	**910,373**	**723,103**	**–**	**10,006**	**25,000**	**209,733**	**295,289**	**–**	**2,173,504**	**57**
	2017	890,916	486,059	–	37,689	27,083	–	154,216	–	1,595,963	40
Senior executives											
Richard Moore	**2018**	**515,600**	**272,967**	**–**	**33,031**	**25,000**	**79,173**	**115,799**	**–**	**1,041,570**	**45**
	2017	502,916	187,081	–	27,229	27,083	–	60,477	–	804,786	31
Andrew Birch	**2018**	**544,250**	**287,433**	**–**	**18,333**	**25,000**	**83,369**	**104,219**	**–**	**1,062,604**	**45**
	2017	504,262	194,141	–	35,086	32,354	–	54,429	–	820,272	30
John Moss	**2018**	**304,092**	**112,883**	**–**	**(28,329)**	**32,326**	**32,741**	**47,246**	**–**	**500,959**	**38**
	2017	313,478	76,245	–	(14,935)	32,183	–	24,675	–	431,646	23
Helen Lea[7]	**2018**	**436,817**	**232,900**	**5,773**	**2,525**	**24,433**	**67,552**	**–**	**–**	**770,000**	**39**
	2017	232,397	86,602	–	1,285	15,103	–	–	–	335,387	26
David Weickhardt	**2018**	**441,507**	**238,581**	**–**	**2,731**	**41,943**	**69,199**	**104,219**	**–**	**898,180**	**46**
	2017	410,959	158,843	–	2,662	39,041	–	54,429	–	665,934	32
Hugh Fahy[8]	**2018**	**421,233**	**232,900**	**–**	**2,525**	**40,017**	**67,552**	**–**	**–**	**764,227**	**39**
	2017	224,446	86,602	69,398	1,276	21,322	–	–	–	403,044	21
Adam Ferguson[9]	**2018**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2017	59,910	–	–	–	24,344	–	–	384,383	468,637	–
James Scollay[10]	**2018**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2017	184,195	–	–	–	28,929	–	–	132,921	346,045	–
Total											
	2018	**3,573,872**	**2,100,767**	**5,773**	**40,822**	**213,719**	**609,319**	**666,772**	**–**	**7,211,044**	**47**
	2017	3,323,479	1,275,573	69,398	90,292	247,442	–	348,226	517,304	5,871,714	28

1 The STI payments awarded to KMP for FY18 were the cash portion of the UIP.

2 Other short-term benefits comprise relocation expenses paid by the Group on behalf of KMP. These benefits have been excluded from performance-related calculations.

3 Long-term benefits relate to long service leave entitlements accrued for the year net of leave taken.

4 Superannuation payments are made in accordance with relevant statutory requirements.

5 The equity from the 2018 UIP scheme performance year will vest after 4 years subject to performance gateways (Figure 4.2); accounting cost is amortised straight line over that period.

6 The LTIP scheme will vest as follows: two thirds after 2 years and one third after 3 years subject to performance hurdles, accounting cost is amortised straight line over those periods. The two thirds due to vest based on FY18 performance did not vest, as hurdles were not met.

7 Helen Lea commenced on 15 June 2017.

8 Hugh Fahy commenced on 15 June 2017.

9 Adam Ferguson resigned on 1 October 2017.

10 James Scollay resigned on 1 October 2017.

6 NON-EXECUTIVE DIRECTOR REMUNERATION

The fee structure for Non-executive Directors considers the risks and responsibilities of the role and the necessary skills and experience required. A benchmarking exercise was undertaken during FY18 and Non-executive Director remuneration was found to be broadly competitive. MYOB Board and Committee fees therefore remain unchanged from FY17, and no adjustments are planned for FY19.

FY18 NON-EXECUTIVE DIRECTOR FEES

FEES/BENEFITS	DESCRIPTION	FY18 $
Board fees	**Board**	
	Chair – Justin Milne	275,000
	Members – all Non-executive Directors	125,000
Committee fees	**Audit and Risk Management Committee**	
	Chair – Andrew Stevens	25,000
	Members – Justin Milne, Craig Boyce	15,000
	Remuneration and Nomination Committee	
	Chair – Anne Ward	22,000
	Members – Andrew Stevens, Fiona Pak-Poy, Edward Han	12,500
Superannuation	The fees set out above include superannuation payments made in accordance with relevant statutory requirements. Superannuation is paid up to the relevant concessional contributions cap, with the remainder paid in cash.	
Other benefits	Non-executive Directors are entitled to reimbursement for business-related expenses, including travel expenses, and all receive the benefit of coverage under a Directors and Officers insurance policy. The terms of the insurance contract require that the amount of the premium paid be kept confidential.	

The Non-executive Director fees paid for FY18 were $1,014,500, which falls within the annual Directors' fee pool of $2,000,000 per annum (effective from 1 April 2015).

NON-EXECUTIVE DIRECTOR		BOARD AND COMMITTEE FEES $	SUPERANNUATION $	TOTAL $
Justin Milne	**2018**	**264,840**	**25,160**	**290,000**
	2017	264,840	25,160	290,000
Andrew Stevens	**2018**	**148,402**	**14,098**	**162,500**
	2017	148,402	14,098	162,500
Anne Ward	**2018**	**134,247**	**12,753**	**147,000**
	2017	134,247	12,753	147,000
Craig Boyce	**2018**	**136,963**	**3,037**	**140,000**
	2017	136,963	3,037	140,000
Fiona Pak-Poy	**2018**	**125,571**	**11,929**	**137,500**
	2017	121,766	11,568	133,334
Edward Han [1]	**2018**	**134,518**	**2,982**	**137,500**
	2017	89,722	1,945	91,667
Paul Edgerley [2]	**2018**	**–**	**–**	**–**
	2017	67,259	1,491	68,750
Total remuneration	**2018**	**944,541**	**69,959**	**1,014,500**
	2017	963,199	70,052	1,033,251

1 Edward Han was appointed Non-executive Director on 27 April 2017.

2 Paul Edgerley resigned as a Non-executive Director on 27 April 2017.

7 OTHER INFORMATION

KMP SHAREHOLDINGS

The table below summarises the movements in the number of ordinary shares held by KMP during the financial period for which they were a KMP:

	ORDINARY SHARES				
	BALANCE AT BEGINNING OF FINANCIAL PERIOD	PURCHASE OF SHARES	SALE OF SHARES	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF FINANCIAL PERIOD
FY18	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
Non-executive Directors					
Justin Milne	80,925	30,000	–	–	**110,925**
Andrew Stevens	85,895	–	–	–	**85,895**
Anne Ward	55,967	–	–	–	**55,967**
Craig Boyce	100,000	50,000	–	–	**150,000**
Fiona Pak-Poy	20,833	–	–	–	**20,833**
Edward Han	–	–	–	–	**–**
Senior executives					
Tim Reed	10,695,514	–	–	1	**10,695,515**
Richard Moore	1,599,405	–	–	1	**1,599,406**
Andrew Birch	2,155,778	–	(900,000)	1	**1,255,779**
John Moss	982,171	–	(220,000)	1	**762,172**
Helen Lea	–	–	–	–	**–**
David Weickhardt	–	–	–	–	**–**
Hugh Fahy	–	–	–	–	**–**

EXECUTIVE KMP SHARE RIGHTS

Performance Share Scheme (LTI)

Performance shares were issued to certain senior executives prior to the IPO in 2015. Performance shares may convert into ordinary shares, if the share price of ordinary shares reaches or exceeds a predetermined hurdle at the 30 September testing date. Performance shares confer on the holder the right to receive notices and to attend Annual General Meetings (AGMs) in addition to receiving the published financial reports of the Group circulated to shareholders. The holder is not entitled to vote on any resolutions proposed at AGMs.

Performance shares held under the LTI did not convert to ordinary shares during FY18 as the share price did not meet the prescribed hurdle set for the final testing date of 30 September 2018. This scheme is now finalised and the associated non-recourse loans settled.

The performance shares held by each executive KMP during FY18 is set out in the table below:

	PERFORMANCE SHARES						
	BALANCE AT BEGINNING OF FINANCIAL PERIOD	GRANTED DURING YEAR	RIGHTS TO DEFERRED SHARES				BALANCE AT END OF FINANCIAL PERIOD (UNVESTED)
			VESTED		FORFEITED		
FY18	NUMBER	NUMBER	NUMBER	%	NUMBER	%	NUMBER
Senior executives[1]							
Tim Reed	1,614,210	–	–	–	(1,614,210)	100%	–
Richard Moore	496,680	–	–	–	(496,680)	100%	–
Andrew Birch	394,240	–	–	–	(394,240)	100%	–
John Moss	248,340	–	–	–	(248,340)	100%	–

1 No additional performance shares have been issued since the IPO in May 2015. The scheme is closed to new participants therefore there were no amounts held by Helen Lea, David Weickhardt and Hugh Fahy as their employment commenced after this date.

LONG-TERM INCENTIVE PLAN

On 1 February 2017, 7,060,400 ordinary shares at $3.4587 per share were issued as new equity of MYOB Group Limited to participants of the LTIP, to be used to satisfy share-based payment obligations upon vesting. Subject to achievement of TSR and EPS hurdles, two thirds of LTIP shares will vest after 2 years and one third after 3 years.

The LTIP is a loan-funded share plan, with the loans being repaid from the proceeds of selling shares after vesting. This means the key benefit to the KMP is the share price appreciation above the $3.4587 grant price, not the absolute value of the shares granted.

The rights to ordinary shares held by each executive KMP during FY18 is set out in the table below:

	ORDINARY SHARES						
	BALANCE AT BEGINNING OF FINANCIAL PERIOD (UNVESTED)	GRANTED DURING YEAR	RIGHTS TO DEFERRED SHARES				BALANCE AT END OF FINANCIAL PERIOD (UNVESTED)
			VESTED		FORFEITED[1]		
FY18	NUMBER	NUMBER	NUMBER	%	NUMBER	%	NUMBER
Senior executives							
Tim Reed	1,417,282	–	–	–	–	–	1,417,282
Richard Moore	555,797	–	–	–	–	–	555,797
Andrew Birch	500,217	–	–	–	–	–	500,217
John Moss	226,765	–	–	–	–	–	226,765
David Weickhardt	500,217	–	–	–	–	–	500,217
Helen Lea	–	–	–	–	–	–	–
Hugh Fahy	–	–	–	–	–	–	–

1 Two thirds of all unvested LTIP shares were forfeited in March 2019 based on the outcome of performance metrics assessed for FY18.

UNIFIED INCENTIVE PLAN

UIP shares, to be held in trust, were issued in the first quarter of 2019 based on performance metrics for FY18, per Figure 4.3.

OTHER TRANSACTIONS WITH KMP

LTIP non-recourse loans noted above were settled in the first quarter of 2019. No additional loans were made during the year between the Group and its KMP and/or their related parties.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of MYOB Group Limited for the year ended 31 December 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Nadia Carlin

Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
21 February 2019

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CONTENTS

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;
- have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), 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. At 31 December 2018, the Consolidated Balance Sheet reflected an excess of current liabilities over current assets of $27.7 million. The shortfall is driven by the recognition of unearned revenue $52.7 million as a current liability. 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;
- 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2018

	NOTE	2018 $'000	2017 $'000
Revenue			
Service revenue		422,084	395,466
Revenue from sale of goods		17,726	18,819
Other income		5,427	2,198
Total revenue	1	**445,237**	416,483
Expenses			
Staff related expenses		(154,863)	(140,728)
General office and administration		(40,955)	(32,886)
Direct materials		(18,887)	(18,536)
Royalties		(2,954)	(3,409)
Reseller commissions		(15,999)	(13,986)
Marketing expenses		(21,936)	(17,021)
Other expenses	2	(8,647)	(7,734)
Depreciation and amortisation		(89,701)	(80,746)
Net finance costs		(15,468)	(13,602)
Total expenses		**(369,410)**	(328,648)
Gain on revaluation of previously held equity accounted investment [1]	12	12,009	–
Share of losses from equity accounted investments	16	(2,652)	(2,353)
Profit before income tax		**85,184**	85,482
Income tax expense	8	(21,399)	(24,802)
Profit after income tax		**63,785**	60,680
Profit after income tax attributable to owners of MYOB Group Limited		**63,797**	60,680
(Loss) after income tax attributable to non-controlling interests		**(12)**	–
Other comprehensive income			
Items that may be classified to income or loss:			
Foreign currency translation		2,783	(2,327)
Other comprehensive income/(loss) for the period, net of tax		**2,783**	(2,327)
Total comprehensive income for the period attributable to owners of MYOB Group Limited		**66,580**	58,353
Total comprehensive (loss) for the period attributable to non-controlling interests		**(12)**	–

1 Additional investment during the year resulted in the investment converting to a subsidiary (refer note 12).

	NOTE	2018 CENTS	2017 CENTS
Earnings per share attributable to ordinary equity holders of MYOB Group Limited			
Basic earnings per share	3	**10.81**	10.12
Diluted earnings per share	3	**10.81**	10.12

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

	NOTE	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents		34,914	54,779
Trade and other receivables		25,091	18,531
Inventories		–	83
Funds held on behalf of customers		17,787	12,720
Other current assets		21,157	14,248
Total current assets		**98,949**	100,361
Non-current assets			
Receivables		1,322	1,670
Equity accounted investments	16	4,283	7,545
Other investments	7	8,210	8,210
Property, plant and equipment	6	35,661	25,468
Intangible assets	6	1,277,054	1,256,613
Total non-current assets		**1,326,530**	1,299,506
Total assets		**1,425,479**	1,399,867
LIABILITIES			
Current liabilities			
Trade and other payables		41,047	23,958
Funds held on behalf of customers		17,787	12,720
Borrowings	10	–	502
Unearned revenue		52,722	49,982
Provisions		15,077	13,585
Total current liabilities		**126,633**	100,747
Non-current liabilities			
Borrowings	10	450,540	432,484
Provisions		8,187	6,030
Deferred tax liabilities	8	19,122	16,185
Total non-current liabilities		**477,849**	454,699
Total liabilities		**604,482**	555,446
Net assets		**820,997**	844,421
EQUITY			
Contributed equity	9	1,098,445	1,141,611
Retained earnings		(308,403)	(304,841)
Non-controlling interest		19,699	–
Reserves		11,256	7,651
Total equity		**820,997**	844,421

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2018

	ISSUED CAPITAL $'000	FOREIGN CURRENCY TRANS-LATION RESERVE $'000	SHARE-BASED PAYMENTS RESERVE $'000	UN-DISTRIBUTED PROFIT RESERVE $'000	RETAINED EARNINGS $'000	NON-CONTROLLING INTEREST $'000	TOTAL EQUITY $'000
Balance at 1 January 2018	**1,141,611**	**5,544**	**2,107**	**–**	**(304,841)**	**–**	**844,421**
Profit after income tax attributable to owners of MYOB Group Limited	–	–	–	–	63,797	–	63,797
(Loss) after income tax attributable to non-controlling interest	–	–	–	–	–	(12)	(12)
Other comprehensive income, net of tax	–	2,783	–	–	–	–	2,783
Total comprehensive income/(loss) for the period	–	2,783	–	–	63,797	(12)	66,568
Transactions with owners in their capacity as owners:							
Unified Incentive Plan (UIP)/Long-Term Incentive Plan (LTIP)	–	–	1,775	–	–	–	1,775
Transfer of cost due to unvested LTI shares	–	–	(953)	–	952	–	(1)
Conversion of forfeited Treasury shares	1,660	–	–	–	–	–	1,660
Share buyback	(44,826)	–	–	–	–	–	(44,826)
Dividends	–	–	–	–	(68,311)	–	(68,311)
Non-controlling interest on acquisition (refer note 12)	–	–	–	–	–	19,711	19,711
Balance at 31 December 2018	**1,098,445**	**8,327**	**2,929**	**–**	**(308,403)**	**19,699**	**820,997**
Balance at 1 January 2017	1,141,423	7,871	1,457	60,000	(356,212)	–	854,539
Profit after income tax attributable to owner of MYOB Group Limited	–	–	–	–	60,680	–	60,680
Other comprehensive (loss), net of tax	–	(2,327)	–	–	–	–	(2,327)
Total comprehensive income/(loss) for the period	–	(2,327)	–	–	60,680	–	58,353
Transactions with owners in their capacity as owners:							
Long-Term Incentive Plan (LTIP)	–	–	650	–	–	–	650
Conversion of forfeited Treasury shares	3,456	–	–	–	–	–	3,456
Share buyback	(3,268)	–	–	–	–	–	(3,268)
Profit reserve	–	–	–	(60,000)	60,000	–	–
Dividends	–	–	–	–	(69,303)	–	(69,303)
Other	–	–	–	–	(6)	–	(6)
Balance at 31 December 2017	1,141,611	5,544	2,107	–	(304,841)	–	844,421

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of providing shares to participants of employee share schemes.

Undistributed profit reserve

This reserve is used to hold quarantined profits of relevant entities of the Group to support future Group dividend payments during a period that the Group as a whole was not in a sufficient profit-making position.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2018

	NOTE	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		487,187	455,646
Payments to suppliers and employees		(309,688)	(275,203)
Interest paid		(14,169)	(13,582)
Income tax paid	8	(4,561)	(3,807)
Interest received		545	865
Net cash flows from operating activities		**159,314**	163,919
Cash flows from investing activities			
Acquired software costs	6	(1,400)	(1,300)
Acquired intangible assets	6	(345)	(1,603)
Investment in equity accounted investments	16	(3,000)	(3,000)
Purchase of property, plant and equipment		(18,053)	(12,944)
Capitalised new product development	6	(52,155)	(35,288)
Purchase of business acquisition, net of cash acquired	12	(8,482)	(47,545)
Net cash flows used in investing activities		**(83,435)**	(101,680)
Cash flows from financing activities			
Proceeds from on-market sale of forfeited Treasury shares	9	1,660	3,456
Debt refinancing transaction costs		(1,980)	–
Proceeds from borrowing		33,000	–
Repayment of borrowings		(15,311)	–
Repayment of finance lease liabilities		(502)	(410)
Share buyback by parent entity	9	(44,826)	(3,268)
Dividends paid by parent entity	4	(68,311)	(69,303)
Net cash flows used in financing activities		**(96,270)**	(69,525)
Net increase/(decrease) in cash and cash equivalents		**(20,391)**	(7,286)
Cash and cash equivalents at beginning of period		54,779	61,434
Effect of exchange rate changes on cash and cash equivalents		526	631
Cash and cash equivalents at end of period		**34,914**	54,779

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

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

1 SEGMENT INFORMATION (CONTINUED)

PERIOD ENDED 31 DECEMBER 2018	CLIENTS & PARTNERS $'000	ENTERPRISE SOLUTIONS $'000	OPERATIONS & SERVICE $'000	CORPORATE (INCL. R&D) $'000	TOTAL $'000
Revenue					
SME revenue	278,127	–	–	–	278,127
Practice revenue	86,175	–	–	–	86,175
Enterprise revenue	–	67,826	–	–	67,826
Payments revenue	10,682	–	–	–	10,682
NZ R&D grant revenue	–	–	–	2,427	2,427
	374,984	**67,826**	**–**	**2,427**	**445,237**
Other profit and loss disclosures					
Direct materials, royalties and reseller commissions	21,007	16,445	388	–	37,840
Staff related	50,145	14,904	32,086	57,728	154,863
Marketing	8,792	587	226	12,331	21,936
General office and administration	9,513	1,581	3,669	26,192	40,955
Other expenses	–	–	–	8,647	8,647
Contribution	**285,527**	**34,309**	**(36,369)**	**(102,471)**	**180,996**
Gain on revaluation of previously held equity accounted investment					12,009
Share of losses from equity accounted investments					(2,652)
Depreciation and amortisation					(89,701)
Net finance costs					(15,468)
Profit before income tax					**85,184**

PERIOD ENDED 31 DECEMBER 2017	CLIENTS & PARTNERS $'000	ENTERPRISE SOLUTIONS $'000	OPERATIONS & SERVICE $'000	CORPORATE (INCL. R&D) $'000	TOTAL $'000
Revenue					
SME revenue	257,559	–	–	–	257,559
Practice revenue	85,848	–	–	–	85,848
Enterprise revenue	–	64,594	–	–	64,594
Payments revenue	6,284	–	–	–	6,284
NZ R&D grant revenue	–	–	–	2,198	2,198
	349,691	64,594	–	2,198	416,483
Other profit and loss disclosures					
Direct materials, royalties and reseller commissions	21,255	14,217	459	–	35,931
Staff related	40,975	13,952	27,579	58,222	140,728
Marketing	8,053	688	138	8,142	17,021
General office and administration	7,576	1,444	3,066	20,800	32,886
Other expenses	–	–	–	7,734	7,734
Contribution	271,832	34,293	(31,242)	(92,700)	182,183
Share of losses from equity accounted investments					(2,353)
Depreciation and amortisation					(80,746)
Net finance costs					(13,602)
Profit before income tax					85,482

1 SEGMENT INFORMATION (CONTINUED)

Geographical information

	REVENUE		NON-CURRENT ASSETS	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Australia	**370,574**	341,601	**1,229,714**	1,205,318
New Zealand	**74,663**	74,882	**96,816**	94,188
Total	**445,237**	416,483	**1,326,530**	1,299,506

There are no transactions with a single customer that exceeded 10 per cent of the Group's total revenue. Non-current assets are not reported on a segment basis as they are integrated across the business.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

The Group recognises revenue predominantly from the sale of software and subscription services, professional services and transaction services.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Software and subscription services revenue primarily consists of fees that give business customers and small to medium enterprises (including professional accounting practitioners) access to accounting software and integrated business solution applications, which also include related customer support and maintenance. These revenues are recognised over time as they are delivered and consumed concurrently over the contractual term, beginning on the date the service is made available to the customer. Software and subscription contracts typically have a term of 12 months duration and are subject to substantive penalties for early termination by the customer. Customers are generally invoiced monthly or annually in advance for software and subscription contracts.

Professional service fees include optimisation and deployment services and customised product training.

Transaction services incorporate payment gateway services, tokenisation and merchant service transactions processed on behalf of business customers. Transaction services fees are charged to business customers based on the volume of activity processed through the payment solutions platform during the month.

Other Income

Other income comprises New Zealand research and development grants and other income earned from third parties.

Revenue Recognition

To determine whether to recognise revenue, the Group follows a five-step process:

(1) Identifying the contract with a customer

(2) Identifying the performance obligations within the customer contract

(3) Determining the transaction price

(4) Allocating the transaction price to the performance obligations

(5) Recognising revenue when/as performance obligation(s) are satisfied.

Gross versus net presentation

When the Group sells goods or services as a principal, income and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned.

1 SEGMENT INFORMATION (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group earns net revenues from fees charged to its customers based on the volume of transaction activity processed through the Payment Solutions platform. Net transaction revenues resulting from a payment processing transaction are recognised once the transaction is complete. Revenue is also generated from gateway services fees, fraud management, tokenisation solutions and merchant service facilities generated from PayBy products and other services that are provided to business customers and merchant counterparts. Net revenues from these services are recognised in the period when the services are performed.

The Group operates a 'Partner Connected Accounting Program' whereby participating accounting advisors can elect to receive benefits in the form of commission payments, invoice rebates or purchase accounting software products on wholesale terms in exchange for successful product referrals. The Group records a corresponding expense for the commission or fee paid, in addition to the revenue earned from the sale of software licenses and maintenance and support services. Gross revenues from these transactions are recognised in the period when the transaction has occurred.

Unearned Revenue

Maintenance and subscription revenue paid in advance is recognised over the life of the contract. Revenue not yet recognised in the Consolidated Statement of Comprehensive Income under this policy is classified as unearned revenue in the Consolidated Balance Sheet.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable,
- receivables and payables which are stated with the amount of GST included, and
- the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Balance Sheet.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

This section explains the impact of the adoption of AASB 15 *Revenue from Contracts with Customers* (AASB 15) on the Group's financial statements.

(a) Impact on the financial statements

There is no material impact to the financial statements in the current or prior reporting periods as a result of the adoption of AASB 15.

(b) Impact of adoption

AASB 15 *Revenue from Contracts with Customers* replaces AASB 111 *Construction Contracts* (not relevant to the Group) and AASB 118 *Revenue*. It makes several 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.

Software and subscription services revenue

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 factored into the transaction price and are recognised on a systematic basis in line with the revenue stream to which they relate. 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.

1 SEGMENT INFORMATION (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 revenue earned by the Group is recognised over the contract duration, however a portion of licenses is recognised at the commencement of the contract. The impact of the change in the timing of revenue recognition determined for this subset of software licenses was assessed and is not material year on year. All other performance obligations have been assessed as being satisfied over time based on the duration of the contract.

Customer contracts with multiple performance obligations

Customer contracts for software licenses featuring integrated business solution applications may include additional charges for professional services such as installation, deployment and customised product training. Services of this nature are individually accounted for as a separate performance obligation, as the Group concludes that they can be readily performed by another service provider. 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.

In applying AASB 15, it was identified that some new software license revenue is currently being recognised at the point of sale rather than over the duration of the contract. MYOB have assessed that the impact of the change in potential revenue recognition for these contracts will not be material and as such, have not adjusted for these items.

Revenue recognition related to maintenance and support services, professional services, training and transaction services is being recognised when the performance obligations are satisfied.

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. The Group does not hold contract assets due to the invoicing and payment terms generally being in advance of the service provision.

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 1 year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money. Payments from customers are generally collected in advance of provision of services.

2 OTHER EXPENSES

	2018 $'000	2017 $'000
Acquisition transaction and integration costs	5,018	5,244
Business transformation one-off costs	3,506	1,213
Other	123	1,277
Total other expenses	**8,647**	7,734

3 EARNINGS PER SHARE

	2018	2017
Profit after income tax attributable to owners of MYOB Group Limited ($'000)	63,797	60,680
WANOS[1] used in the calculation of basic EPS (shares)	590,279,532	599,515,038
WANOS[1] used in the calculation of diluted EPS (shares)[2]	590,279,532	599,515,038
Basic EPS (cents per share)	**10.81**	10.12
Diluted EPS (cents per share)	**10.81**	10.12

1 Weighted average number of ordinary shares.

2 Treasury shares were assessed as not being dilutive at reporting date.

CALCULATION OF EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated as profit after income tax attributable to owners of MYOB Group Limited, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share

Diluted earnings per share is calculated as profit after income tax attributable to owners of MYOB Group Limited, adjusted for:

- costs of servicing equity (other than dividends);
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

4 DIVIDENDS

	PAYMENT DATE	AMOUNT PER SHARE	TOTAL DIVIDEND $'000
Financial Year 2017			
2016 Final dividend	5 April 2017	5.75 cents	34,658
2017 Interim dividend	19 October 2017	5.75 cents	34,645
Total dividends paid for the year ended 31 December 2017			69,303
Financial Year 2018			
2017 Final dividend	5 April 2018	5.75 cents	34,522
2018 Interim dividend	18 October 2018	5.75 cents	33,789
Total dividends paid for the year ended 31 December 2018			**68,311**

Under the scheme implementation agreement currently in place with KKR, MYOB cannot declare and pay any dividend without KKR's prior written consent. On the basis of this restriction, the MYOB Board have not declared a final dividend for the financial year ended 31 December 2018.

5 NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2018 $'000	2017 $'000
Profit after income tax	**63,785**	60,680
Adjustments for:		
Non-cash items		
Depreciation and amortisation	89,701	80,746
Share of losses from equity accounted investments	2,652	2,353
Change in accrued expenses	754	2,179
Effect of exchange rate changes on items disclosed as operating activities	(84)	580
Share-based payments expense	1,775	650
Amortisation of debt facility	1,109	398
(Gain) on revaluation of previously held equity accounted investment	(12,009)	–
Loss on disposal of property, plant and equipment	188	–
Change in operating assets and liabilities:		
(Increase) in receivables and other assets	(13,672)	(10,592)
Decrease in inventories	83	111
Decrease in deferred tax assets	153	10,595
Increase in payables and unearned revenue	6,394	3,796
Increase/(decrease) in income taxes payable	13,887	(534)
Increase in provisions	1,800	2,023
Increase in deferred tax liabilities	2,798	10,934
Net cash flows from operating activities	**159,314**	163,919

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

		CASH MOVEMENTS	NON-CASH MOVEMENTS			
2018	OPENING BALANCE $'000	CASH FLOWS FROM ACTIVITIES $'000	INTEREST $'000	AMORTISATION $'000	FOREIGN EXCHANGE MOVEMENTS $'000	CLOSING BALANCE $'000
Finance lease liabilities	(502)	516	(14)	–	–	–
Unsecured borrowings	(432,484)	(15,707)	–	(1,109)	(1,240)	(450,540)
	(432,986)	**(15,191)**	**(14)**	**(1,109)**	**(1,240)**	**(450,540)**

		CASH MOVEMENTS	NON-CASH MOVEMENTS			
2017	OPENING BALANCE $'000	CASH FLOWS FROM ACTIVITIES $'000	INTEREST $'000	AMORTISATION $'000	FOREIGN EXCHANGE MOVEMENTS $'000	CLOSING BALANCE $'000
Finance lease liabilities	(912)	475	(65)	–	–	(502)
Unsecured borrowings	(434,308)	–	–	(398)	2,222	(432,484)
	(435,220)	475	(65)	(398)	2,222	(432,986)

ASSETS AND LIABILITIES

6 INTANGIBLE ASSETS A PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS

2018	BRANDS $'000	CUSTOMER RELATION-SHIPS $'000	COMMER-CIALISED SOFTWARE $'000	GOODWILL $'000	INTERNALLY GENERATED SOFTWARE $'000	ACQUIRED IP $'000	TOTAL $'000
At 1 January 2018, net of accumulated amortisation	**114,872**	**83,249**	**66,896**	**912,360**	**77,807**	**1,429**	**1,256,613**
Additions	–	–	–	–	52,155	–	52,155
Acquired	–	–	–	–	1,400	345	1,745
Additions through business combinations	–	–	–	35,918	2,483	4,608	43,009
Amortisation	(1,876)	(19,053)	(35,172)	–	(23,561)	(829)	(80,491)
Net foreign currency movements arising from foreign operations	–	566	–	3,443	15	(1)	4,023
At 31 December 2018, net of accumulated amortisation	**112,996**	**64,762**	**31,724**	**951,721**	**110,299**	**5,552**	**1,277,054**
At 1 January 2018							
Cost (gross carrying amount)	128,118	222,859	267,368	912,360	105,509	1,603	1,637,817
Accumulated amortisation and impairment	(13,246)	(139,610)	(200,472)	–	(27,702)	(174)	(381,204)
Net carrying amount	**114,872**	**83,249**	**66,896**	**912,360**	**77,807**	**1,429**	**1,256,613**
At 31 December 2018							
Cost (gross carrying amount)	128,118	224,328	267,368	951,721	165,611	6,556	1,743,702
Accumulated amortisation and impairment	(15,122)	(159,566)	(235,644)	–	(55,312)	(1,004)	(466,648)
Net carrying amount	**112,996**	**64,762**	**31,724**	**951,721**	**110,299**	**5,552**	**1,277,054**

6 INTANGIBLE ASSETS & PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2017	BRANDS $'000	CUSTOMER RELATION-SHIPS $'000	COMMER-CIALISED SOFTWARE $'000	GOODWILL $'000	INTERNALLY GENERATED SOFTWARE $'000	ACQUIRED IP $'000	TOTAL $'000
At 1 January 2017, net of accumulated amortisation	117,820	86,959	94,804	889,061	56,742	–	1,245,386
Additions	–	–	–	–	35,288	–	35,288
Acquired	–	–	–	–	1,300	1,603	2,903
Additions through business combinations	200	17,400	7,300	27,461	–	–	52,361
Amortisation	(3,148)	(19,989)	(35,117)	–	(15,524)	(174)	(73,952)
Net foreign currency movements arising from foreign operations	–	(1,121)	(91)	(4,162)	1	–	(5,373)
At 31 December 2017, net of accumulated amortisation	114,872	83,249	66,896	912,360	77,807	1,429	1,256,613
At 1 January 2017							
Cost (gross carrying amount)	127,918	207,502	260,159	889,061	68,922	–	1,553,562
Accumulated amortisation and impairment	(10,098)	(120,543)	(165,355)	–	(12,180)	–	(308,176)
Net carrying amount	117,820	86,959	94,804	889,061	56,742	–	1,245,386
At 31 December 2017							
Cost (gross carrying amount)	128,118	222,859	267,368	912,360	105,509	1,603	1,637,817
Accumulated amortisation and impairment	(13,246)	(139,610)	(200,472)	–	(27,702)	(174)	(381,204)
Net carrying amount	114,872	83,249	66,896	912,360	77,807	1,429	1,256,613

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of $35.7 million (2017: $25.5 million) includes plant and equipment and leasehold improvements. During the period, the Group purchased property, plant and equipment of $18.1 million (Internal systems development $6.5 million, Leasehold improvements $4.2 million, Capital works in progress $3.0 million, Computer equipment $2.5 million and other $1.9 million), net of depreciation expense of $9.2 million. It was also impacted by new make good assets and exchange rate differences.

Impairment tests for goodwill, intangible assets and property, plant and equipment

At each reporting date, the Group assess whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value-in-use. 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 (CGU's)). Non-financial assets, other than goodwill, that have recognised an impairment in the past are reviewed for possible reversal of the impairment at the end of each reporting period.

6 INTANGIBLE ASSETS & PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

A CGU level summary of the allocation is presented below:

2018	CLIENTS & PARTNERS $'000	ENTERPRISE SOLUTIONS $'000	PAYMENT SOLUTIONS $'000	TOTAL $'000
Brands	99,551	13,445	–	112,996
Customer relationships	41,146	9,316	14,300	64,762
Commercialised software	23,922	3,057	4,745	31,724
Goodwill [1]	829,737	113,673	8,311	951,721
Internally generated software	103,837	12,014	–	115,851
Total intangible assets	**1,098,193**	**151,505**	**27,356**	**1,277,054**

2017	CLIENTS & PARTNERS $'000	ENTERPRISE SOLUTIONS $'000	PAYMENT SOLUTIONS $'000	TOTAL $'000
Brands	100,961	13,741	170	114,872
Customer relationships	55,799	11,350	16,100	83,249
Commercialised software	56,098	4,593	6,205	66,896
Goodwill	771,425	113,474	27,461	912,360
Internally generated software	65,577	13,659	–	79,236
Total intangible assets	1,049,860	156,817	49,936	1,256,613

1 The Group finalised its allocation of $27.5 million of Goodwill acquired through the acquisition of Paycorp Holdings Pty Limited in 2017 with consideration to the cash generating units expected to benefit from the synergies and future economic benefits of the acquisition. This resulted in an allocation of $19.2 million to Clients and Partners and $8.3 million to Payments Solutions.

The recoverable amount of a CGU is determined on its value-in-use. These calculations use cash flow projections based on financial forecasts approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions for value-in-use calculations

	2018	2017
Nominal discount rate (pre-tax)	12.70%	13.14%
Terminal growth rate	2.50%	2.50%

Nominal discount rate (pre-tax) is the Group's Weighted Average Cost of Capital. Terminal growth rate is the expected industry growth rate.

Key assumptions for value-in-use calculations

Management used historical amounts (allocation methodology at the time was around 2015 revenue plan percentage splits per CGU) for existing intangible assets that were not easily identifiable.

The recoverable amount of the intangible assets across all three Cash Generating Units exceeds their carrying values at 31 December 2018. A decrease of 15 per cent in cash flow forecasts would result in an impairment of the Payment Solutions CGU at 31 December 2018 but would not impact the Clients & Partners and Enterprise Solutions segments.

6 INTANGIBLE ASSETS & PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES

Goodwill

Goodwill on acquisition is initially measured at the excess of the consideration transferred in a business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised, instead it is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For each acquisition, any goodwill acquired is allocated to each of the cash-generating units.

Intangible assets

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Where amortisation is charged on assets with finite lives, this expense is taken to the profit or loss.

If the business identifies intangible assets where circumstances have changed, and their estimated useful life has deviated from the original term, then the business will adopt alternative amortisation methodology to accurately reflect the life of the asset.

Research and development costs

Research costs are expensed as incurred.

Following the initial recognition of the development expenditure, the cost model is applied, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Useful life of assets

A summary of the policies applied to the Group's intangible assets subject to amortisation is as follows:

	COMMERCIALISED SOFTWARE	INTERNALLY GENERATED SOFTWARE	CUSTOMER RELATIONSHIPS	ACQUIRED IP	BRANDS[1]
Method used[2]	5 to 8 years – straight line	5 years – straight line	9.25 to 17 years – diminishing value	5 to 8 years – straight line	3 to 5 years – straight line
Internally generated/ acquired	Acquired	Internally generated	Acquired	Acquired	Acquired
Impairment test/ recoverable amount testing	Tested annually only if there is an indication of impairment				Tested annually

1 The MYOB brand ($112.5 million) is considered to have an indefinite useful life, as the longevity of the brand is not considered to be dissimilar to the Group's business. The Group continues to make the required investment to preserve key brand characteristics, including market position and reputation. However, the acquired brands of BankLink, PayGlobal, ACE, IMS, Greentree and Paycorp (original cost $15.6 million) are being amortised over their perceived useful life of 3 to 5 years.

2 The useful life of finite intangible assets is judgemental and reviewed annually by management.

6 INTANGIBLE ASSETS & PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Useful life of assets (continued)

Property, plant and equipment is stated at cost less accumulated depreciation using the depreciation table below:

CLASS OF ASSETS	DEPRECIATION PERIOD
Plant and equipment	3–5 years
Leasehold improvements	3–8 years[1]

1 or duration of lease, whichever is shorter.

Gains or losses on disposal

Gains or losses arising from the sale of an asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Comprehensive Income when the asset is sold.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Carrying value of goodwill and indefinite lived intangible assets

The Group determines whether goodwill and intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangible assets with indefinite useful lives are allocated.

Useful life of intangible assets

The useful life of intangible assets are assessed to be either finite or indefinite. For treatment of finite intangible assets, refer to the useful life of assets table in 'Significant accounting policies'. Brand names that have indefinite lives are not amortised. Management use judgement in determining whether an individual brand will have a finite life or an indefinite life. In making this determination, management make use of information on the long-term strategy for the brand, the level of growth or decline of the markets that the brand operates in, the history of the market and the brand's position within that market. If a brand is assessed to have a finite life, management will use judgement in determining the useful life of the brand and will consider the period over which expected cash flows will continue to be derived in making that decision.

Capitalisation of internally generated software

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Group commences amortising internally generated software projects at the earlier of 1st January or 1st July subsequent to the date of any component of the project being sold into the market.

7 OTHER INVESTMENTS

	2018 $'000	2017 $'000
ProjectX, International Limited	8,210	8,210
	8,210	8,210

The Group holds 68.08 per cent of the Class B-1 preference shares on issue and 6.35 per cent (2017: 8.07 per cent) of all shares on issue (ProjectX, International Ltd issued additional ordinary shares during 2018 of which MYOB did not acquire any).

SIGNIFICANT ACCOUNTING POLICIES

Investments held by the Group are measured against the accounting standard criteria around control and then of materiality and influence to determine the appropriate accounting treatment at each reporting date. Where the Group has determined that it does not have control or significant influence, the investment will be accounted for as a financial asset held at fair value through other comprehensive income (FVOCI). The Group has elected to account for the investment on this basis due to exposures in foreign exchange.

Conversely, where the Group has determined that it does have control or significant influence, the investment is treated as an equity accounted investment in accordance with AASB 128 *Investments in Associates & Joint Ventures* (refer to Note 16 'Equity accounted investments').

This section explains the additional impact of the adoption of AASB 9 *Financial Instruments* (AASB 9) on the Group's financial statements.

(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.

(b) Impact of adoption

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.

8 TAXATION

Tax consolidated group

MYOB Group Limited and its wholly owned Australian resident subsidiaries are members of an Australian income tax consolidated group. MYOB Group Limited is the head company.

The entities in the tax consolidated group have entered into a tax sharing and funding agreement which limits the joint and several liability of each member entity and appropriate compensation is provided for current tax payable or receivable in the group.

INCOME TAX EXPENSE

	2018 $'000	2017 $'000
Current tax	18,298	3,396
Deferred tax	3,499	21,649
Adjustment of tax for the prior period	(398)	(243)
	21,399	24,802

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	2018 $'000	2017 $'000
Profit for the year before income tax expense	85,184	85,482
Prima facie tax	25,555	25,645
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Entertainment	416	269
Research and development rebate[1]	(1,360)	(1,391)
Gain on revaluation on previously held equity accounted investment	(3,603)	–
Write off DTA on previously held equity accounted investment	306	–
Sundry items	604	654
	(3,637)	(468)
Difference in overseas tax rate	(121)	(132)
Adjustment for current tax of prior periods	(398)	(243)
Income tax expense	**21,399**	24,802
Deferred tax expense	(3,499)	(21,649)
Income tax paid during the year	(4,561)	(3,807)
Items recognised directly to equity	–	2,421
Other adjustments	2,671	645
Income tax payable[2]	16,010	2,412

1 Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward.

2 Income tax payable in 2017 only relates to New Zealand tax consolidated group.

EFFECTIVE TAX RATE

	2018	2017
Australian consolidated group	25%	29%
Consolidated group	25%	29%

The above effective tax rates (ETRs) have been calculated as income tax expense divided by accounting profit for the Australian consolidated group and the consolidated group.

8 TAXATION (CONTINUED)

Australian consolidated group

The effective tax rate for the year ended 31 December 2018 is lower than the Australian company tax rate of 30 per cent predominantly due to the non assessability of the gain on revaluation on previously held equity accounted investment combined with the research and development rebate. The effective tax rate excluding the impact of these items is 30.9 per cent.

Consolidated group

The effective tax rate for the Group for the year ended 31 December 2018 is lower than the Australian company tax rate due to the lower ETR for the Australian group as detailed above combined with the ETR for the New Zealand group which was 2 per cent higher than the New Zealand company tax rate of 28 per cent.

DEFERRED TAX ASSETS AND LIABILITIES

	2018 $'000	2017 $'000
Deferred tax balances comprise temporary differences attributable to items:		
Tax losses (carried forward)	–	7,009
Business capital costs	3,001	5,751
Employee benefits	5,023	4,448
Net intangible assets	(36,390)	(40,570)
Other liabilities	6,916	5,402
Other assets	2,328	1,775
Net deferred tax (liability)	**(19,122)**	(16,185)

SIGNIFICANT ACCOUNTING POLICIES

Current and deferred taxes

The income tax for the period is determined on existing tax laws or substantively enacted tax laws at the end of the reporting period. For deferred income tax, consideration is also given to whether these laws are expected to be enacted at the time the deferred asset or liability is realised.

Deferred tax assets and liabilities are recognised for all temporary differences, other than for:

- Initial recognition of goodwill;
- Initial recognition of an asset or liability in a transaction that is not a business combination and at that time the transaction affects neither accounting profit nor taxable profit or loss; and
- Temporary differences associated with investments in subsidiaries where the timing of the reversal can be controlled and it is probable that it will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to do so and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Capital losses of $1.928 million have not been recognised as a deferred tax asset as management has not deemed it as probable (2017 $1.928 million).

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses according to management's consideration that it is probable that sufficient taxable temporary differences are expected to reverse in a future period or future taxable profits will be available to utilise those temporary differences with reference to tax requirements. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

ADOPTION OF VOLUNTARY TAX TRANSPARENCY CODE

MYOB is signatory to the Board of Taxation's Corporate Tax Transparency Code Register. This reflects MYOB's commitment to the Voluntary Tax Transparency Code (TTC). As MYOB is classified as a medium business under the Code, Part A, tax disclosures, as required, have been included in this report.

CAPITAL STRUCTURE, FINANCING AND RISK MANAGEMENT

9 CONTRIBUTED EQUITY

ORDINARY SHARES

Ordinary shares are classified as equity and are fully paid, have no par value, carry one vote per share (either in person or by proxy) and have the right to dividends. Incremental costs, directly attributable to the issue of new shares or the exercise of options, are recognised as a deduction from equity, net of any related income tax benefit.

TREASURY SHARES

Treasury shares are ordinary shares that are still retained by the Group until such time as they become available to participants of the Long-Term Incentive Plan (LTIP). On 1 February 2017, 7,060,400 ordinary shares at $3.4587 per share were issued as new equity of MYOB Group Limited, to be used to satisfy share-based payment obligations upon vesting and are held in trust as treasury shares.

Treasury shares are recognised at cost and deducted from equity, net of any income tax effects. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When LTIP participants leave the plan, the forfeited treasury shares are sold on-market. Any difference between the cost of acquisition and the consideration when reissued is recognised in the share-based payments reserve.

REPURCHASE OF SHARE CAPITAL

Where the Group purchases its own equity instruments, as a result of a share buyback, those instruments are deducted from equity and the re-purchased shares are cancelled. The amount of consideration paid, including directly attributable costs, is recognised as a deduction from contributed equity, net of any related income tax effects. On 24 August 2017, the Group announced its intention to undertake an on-market share buyback of up to 5 per cent of its issued capital over a 12-month period, with the maximum being approximately 30,322,081 ordinary shares. The buyback commenced on 8 September 2017 and was concluded on 10 August 2018.

	2018		2017	
	NUMBER OF SHARES ('000)	$'000	NUMBER OF SHARES ('000)	$'000
Ordinary shares				
Balance at beginning of financial period	**599,491**	**1,141,611**	599,381	1,141,423
Issue of shares under employee long-term incentive plans	–	–	7,060	–
Add: Treasury shares	6,040	–	–	–
Conversion from on-market sale of forfeited Treasury shares	–	1,660	–	3,456
Share buyback	(14,729)	(44,826)	(910)	(3,268)
Balance at end of financial period (including Treasury shares)	590,802	1,098,445	605,531	1,141,611
Less: Treasury shares	(5,539)	–	(6,040)	–
Balance at end of financial period (excluding Treasury shares)	**585,263**	**1,098,445**	599,491	1,141,611

	2018 NUMBER OF SHARES ('000)
Treasury shares	
Balance at beginning of financial period	**6,040**
Disposal of forfeited Treasury shares	(501)
Balance at end of financial period	**5,539**

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. As the market is constantly changing, management may return capital to shareholders, issue new shares or sell assets to reduce debt.

10 BORROWINGS

	2018 $'000	2017 $'000
Current – Secured		
Finance leases	–	502
	–	502
Non-current – Unsecured		
Bank loans	452,626	433,332
Unamortised borrowing costs	(2,086)	(848)
	450,540	432,484
Total borrowings	**450,540**	432,986

The Group's $452.6 million (2017: $433.3 million) bank debt is provided by a syndicate of five banks each holding between 15 per cent and 25 per cent.

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 $257.0 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.

The Group has $22.7 million (31 December 2017: $46.1 million and also a $180 million bridging facility was available pending the acquisition of Reckon, which did not progress) undrawn of its committed facility that may be drawn upon at any time as well as $10.2 million of outstanding bank guarantees.

The carrying amount of the Group's current and non-current borrowings approximate their fair value.

FINANCE COSTS	2018 $'000	2017 $'000
Interest expense	14,905	13,948
Borrowing costs	1,109	572
Total finance costs	**16,014**	14,520

SIGNIFICANT ACCOUNTING POLICIES

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Borrowings are classified as non-current liabilities when the Group has an unconditional right to defer settlement for at least 12 months from reporting date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

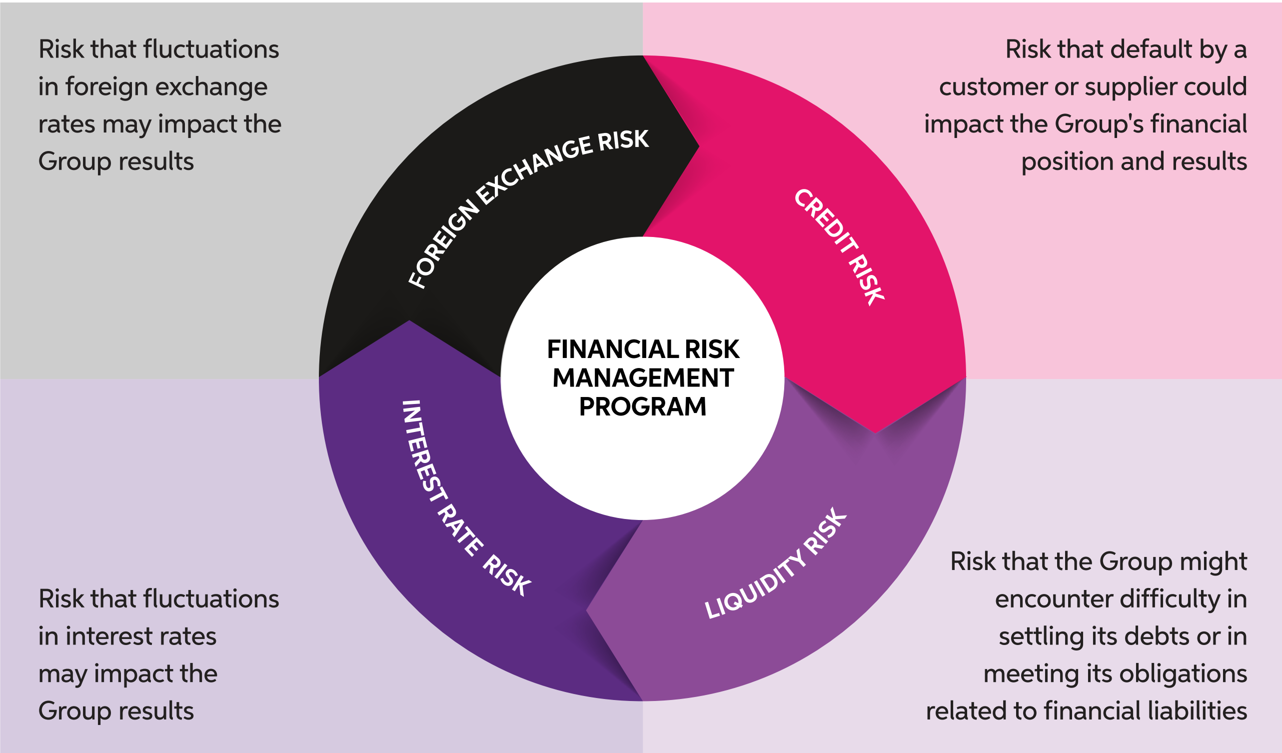
Borrowings are removed from the Consolidated Balance Sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred, or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Derivative financial instruments and hedging

The Group does not use derivative financial instruments to hedge its risks associated with interest rate fluctuations. This decision is within the scope of the existing company risk profile.

11 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates, aging analysis for credit risk and economic trend and major competitor performance analysis to determine market risk.



FOREIGN EXCHANGE RISK

The Australian dollar (AUD) is the functional currency of the Group and as a result, currency exposures arise from transactions and balances in currencies other than the Australian dollar. The Group is exposed to the New Zealand dollar (NZD) through its inter-company loan transactions.

At reporting date, the Group's exposure to foreign currencies were as follows:

	NEW ZEALAND DOLLARS (NZD)	
	2018 $'000	2017 $'000
Financial assets		
Cash and cash equivalents	11,865	14,604
Trade and other receivables	7,643	7,308
Financial liabilities		
Trade and other payables	(6,100)	(4,120)
Borrowings	(28,952)	(40,949)
Net exposure	**(15,544)**	(23,157)

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

Material sensitivities to foreign exchange movements

The Group is primarily exposed to changes in NZD/AUD exchange rates. The sensitivity of the Group profit after tax to changes in the foreign exchange rates arises mainly from the New Zealand operating result as well as long-term borrowings held in New Zealand dollars. Utilising a range of +5 per cent to -5 per cent, a sensitivity analysis showed that the impact to the Group profit after tax would be less than $0.3 million with no significant impact on equity. The Group's exposure to other foreign exchange movements is not material.

INTEREST RATE RISK

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value. The Group's borrowings at variable rate were denominated in Australian dollars and New Zealand dollars.

As at the end of the reporting period, the Group had the following variable rate borrowings:

	2018		2017	
	BALANCE $'000	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'000	WEIGHTED AVERAGE INTEREST RATE %
Unsecured bank loans	452,626	3.43	433,332	3.17

Sensitivity to interest rate movements

The weighted average interest rate for the period ended 31 December 2018 was 3.43 per cent (2017: 3.17 per cent). If the weighted average interest rate had been 10 per cent higher or 10 per cent lower, interest expense would increase/decrease by $0.5 million.

LIQUIDITY RISK

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities and committed bank loans. The Group minimises liquidity risk by maintaining a sufficient level of cash and equivalents as well as ensuring the Group has access to the use of credit facilities as required.

Financing arrangements

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

	DRAWN		UNDRAWN		TOTAL	
	YEAR ENDED 31 DECEMBER 2018 $'000	YEAR ENDED 31 DECEMBER 2017 $'000	YEAR ENDED 31 DECEMBER 2018 $'000	YEAR ENDED 31 DECEMBER 2017 $'000	YEAR ENDED 31 DECEMBER 2018 $'000	YEAR ENDED 31 DECEMBER 2017 $'000
Floating rate						
Expiring within 1 year	–	–	–	180,000	–	180,000
Expiring beyond 1 year	452,626	433,332	22,708	46,132	475,334	479,464
	452,626	433,332	**22,708**	226,132	**475,334**	659,464

The $462.8 million currently drawn is comprised by $452.6 million of borrowings and $10.2 million of letters of credit provided to landlords of certain properties leased by the Group. The Group has $22.7 million (31 December 2017: $46.1 million and also a $180 million bridging facility was available pending the acquisition of Reckon, which did not progress) undrawn of its committed facility that may be drawn upon at any time.

Under the Group's senior facility agreement there is a requirement to report half-yearly to the banking syndicate on a number of key ratios to ensure that the business is monitoring and managing cash, liquidity, borrowings and interest expense. The Group is in compliance with any covenants in relation to its financing arrangements.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis of financial liabilities

The table below presents the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	MATURING IN:				
	6 MONTHS OR LESS $'000	6 MONTHS TO 1 YEAR $'000	1 TO 5 YEARS $'000	CONTRACTUAL TOTAL $'000	CARRYING AMOUNT $'000
2018					
Trade and other payables	41,047	–	–	41,047	41,047
Funds held on behalf of customers	17,787	–	–	17,787	17,787
Finance leases	–	–	–	–	–
Secured bank loan	7,688	7,813	505,715	521,216	452,626
Total financial liabilities	**66,522**	**7,813**	**505,715**	**580,050**	**511,460**
2017					
Trade and other payables	23,958	–	–	23,958	23,958
Funds held on behalf of customers	12,720	–	–	12,720	12,720
Finance leases	286	246	–	532	502
Secured bank loan	6,950	6,878	452,922	466,750	433,332
Total financial liabilities	43,914	7,124	452,922	503,960	470,512

CREDIT RISK

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is limited.

There are no significant concentrations of credit risk within the Group. The Group minimises concentrations of credit risks in relation to trade accounts receivable by undertaking transactions with a large number of customers. The majority of customers are concentrated in Australia and New Zealand.

GROUP STRUCTURE

12 BUSINESS COMBINATIONS

KOUNTA HOLDINGS PTY LIMITED

On 12 December 2018 MYOB Acquisition Pty Limited (a subsidiary of MYOB Group Limited) acquired 1,091,357 ordinary shares of Kounta Holdings Pty Limited for cash consideration of $4.2 million which increased its existing ownership from 39.55 per cent to 50.1 per cent. This increase resulted in the Group gaining control of Kounta Holdings Pty Limited.

This acquisition is a strategic investment for the Group as it solidifies MYOB's position in the retail POS, mobile payments and eCommerce space. The MYOB Kounta partnership is integral to the vision of making cloud accounting easy for every business.

The acquired business contributed revenue of $0.75 million and a Net loss after tax (NLAT) of ($0.02 million) to the Group for the period since acquisition to 31 December 2018. If the acquisition had occurred on 1 January 2018, the contributed revenue for the year ending 31 December 2018 would have been $7.9 million and a NLAT ($1.3 million). There were no material acquisition related costs incurred due to the existing ownership holding.

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

	$'000
Fair value of 39.55 per cent equity interest	15,619
Cash consideration	4,167
Total purchase consideration	**19,786**

The fair value of assets and liabilities recognised as a result of the acquisitions are as follows[1]:

	$'000
Cash and cash equivalents	385
Receivables	2,489
Property, plant and equipment	289
Capitalised research and development	2,483
Payables	(1,051)
Employee provisions	(427)
Unearned revenue	(483)
Net identifiable assets acquired	**3,685**
Less: non-controlling interest	(19,711)
Goodwill	35,812
Net assets acquired	**19,786**

Gain on revaluation of previously held equity accounted investment:

	$'000
Fair value of 39.55 per cent equity interest	15,619
Investment (net of equity accounted losses) at time of additional investment/conversion to partially owned subsidiary	(3,610)
Gain on revaluation of previously held equity accounted investment	**12,009**

1 All fair values are provisional pending a full purchase price allocation exercise being completed and finalised within 12 months of acquisition.

12 BUSINESS COMBINATIONS (CONTINUED)

MYADVISOR PTY LTD AND COMPANYIQ PTY LTD

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

- On 20 February 2018 MYOB Group acquired 100 per cent of MyAdvisor Pty Ltd for $2.5 million.
- On 27 February 2018 MYOB Group acquired 100 per cent 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**

SIGNIFICANT ACCOUNTING POLICIES

Business combinations

The Group follows accounting standards and guidelines to classify investments appropriately. If an investment meets the criteria around control, then it accounts for the investment as a subsidiary. Business combinations (acquisitions of subsidiaries) are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer. Acquisition-related costs are expensed as incurred and included in other expenses.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration will be recognised in the profit or loss.

13 SUBSIDIARIES

The Consolidated Financial Statements include the financial statements of MYOB Group Limited and the subsidiaries listed in the following table.

ENTITY		COUNTRY OF INCORPORATION	EQUITY INTEREST HELD BY THE CONSOLIDATED ENTITY 2018 %	2017 %
Ace Payroll Intermediary Limited	&	New Zealand	–	100
Ace Payroll Plus Limited	&	New Zealand	–	100
ACN 086 760 303 Pty Ltd	^	Australia	**100**	100
Banklink Limited	&	New Zealand	–	100
Banklink Pty Limited		Australia	**100**	100
Blitz Payments Pty Ltd		Australia	**100**	100
Business Interface Services Pty Ltd		Australia	**100**	100
Cayman Holdings Limited	^	Caymans	**100**	100
Greentree FRL Limited	&	New Zealand	–	100
Greentree Hei Matau Holdings Limited	&	New Zealand	–	100
Greentree International AU Pty Limited		Australia	**100**	100
Greentree International New Zealand Limited		New Zealand	**100**	100
Greentree Modules Limited	&	New Zealand	–	100
Greentree Services Pty Limited		Australia	**100**	100
Information Management Services Limited	&	New Zealand	–	100
Media Transfer Services Limited		New Zealand	**100**	100
MYOB Acquisition Pty Ltd	*	Australia	**100**	100
MYOB Asia Sdn Bhd	~	Malaysia	–	100
MYOB Australia Pty Ltd	*	Australia	**100**	100
MYOB Finance Australia Limited	^	Australia	**100**	100
MYOB Finance NZ Limited		New Zealand	**100**	100
MYOB Finance Pty Ltd	^	Australia	**100**	100
MYOB Group Limited	#	Australia	–	–
MYOB Holdings Pty Ltd	*	Australia	**100**	100
MYOB New Zealand Group Limited		New Zealand	**100**	100
MYOB NZ ESS Limited		New Zealand	**100**	100
MYOB NZ Limited		New Zealand	**100**	100
MYOB Technology Pty Ltd	*	Australia	**100**	100
Paycorp Australia Pty Ltd		Australia	**100**	100
Paycorp Holdings Pty Ltd		Australia	**100**	100
Paycorp NZ Limited		New Zealand	**100**	100
Paycorp Payment Solutions Pty Ltd		Australia	**100**	100
PayGlobal Limited	&	New Zealand	–	100
PayGlobal Pty Ltd		Australia	**100**	100
Solution 6 Pty Ltd	^	Australia	**100**	100
Kounta Pty Ltd	+	Australia	**50.1**	–
MyAdvisor Pty Ltd	+	Australia	**100**	–

* An ASIC-approved Deed of Cross Guarantee has been entered into by MYOB Group Limited (the parent entity) and these entities. Refer to Note 15 'Deed of Cross Guarantee' for further details.

\# Parent entity.

^ Entity in the process of liquidation.

\+ Entity acquired during the financial period.

~ Entity liquidated during the financial period.

& Amalgamation into MYOB NZ.

14 PARENT ENTITY INFORMATION

The parent entity within the Group is MYOB Group Limited. The financial information for the parent entity has been prepared on the same basis as the Consolidated Financial Statements.

SUMMARISED FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

BALANCE SHEET	2018 $'000	2017 $'000
Current assets	1	1
Non-current assets	1,129,359	1,186,045
Total assets	**1,129,360**	1,186,046
Current liabilities	14,870	2
Total liabilities	**14,870**	2
Net assets	**1,114,490**	1,186,044
Equity		
Contributed equity	1,098,445	1,141,611
Reserves	2,929	1,457
Retained earnings	13,116	42,976
Total equity	**1,114,490**	1,186,044
Profit for the year	**37,500**	60,104
Total comprehensive income	**37,500**	60,104

CONTINGENT LIABILITIES OF THE PARENT ENTITY

There are no contingent liabilities or contingent assets as at 31 December 2018. From time to time the Company is a party to litigation, claims and other contingencies which arise in the ordinary course of business. The Company records a contingent liability when it is probable that a loss has been incurred and the amount of loss can be reasonably estimated in accordance with applicable accounting standards.

15 DEED OF CROSS GUARANTEE

The subsidiaries identified with the following symbol '*' in Note 13 'Subsidiaries' 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.

These subsidiaries and MYOB Group Limited together referred to as the 'Closed Group', originally entered into the Deed on 29 June 2015. The effect of the Deed is that each party to it has guaranteed to pay any deficiency in the event of the winding up of any of the entities in the Closed Group.

The Consolidated Statement of Comprehensive Income of the entities which are members of the Closed Group is as follows:

	2018 $'000	2017 $'000
Consolidated Statement of Comprehensive Income		
Profit before income tax	69,505	78,566
Income tax expense	(19,417)	(23,089)
Profit after income tax	**50,088**	55,477
Accumulated losses at the beginning of the financial period	(305,994)	(352,016)
Profit for the period	50,088	55,477
Transfer between reserves	–	60,000
Pre-acquisition earnings adjustments	953	(152)
Dividends paid	(68,311)	(69,303)
Accumulated losses at the end of the financial period	**(323,264)**	(305,994)

15 DEED OF CROSS GUARANTEE (CONTINUED)

The Consolidated Balance Sheet of the entities which are members of the Closed Group is as follows:

	2018 $'000	2017 $'000
Consolidated Balance Sheet		
Current assets		
Cash and cash equivalents	15,470	33,003
Trade and other receivables	32,011	38,828
Inventories	–	86
Funds held on behalf of customers	11,616	8,130
Other current assets	18,427	12,310
Total current assets	**77,524**	92,357
Non-current assets		
Equity accounted investments	4,283	7,545
Other investments	136,908	126,700
Property, plant and equipment	29,998	21,776
Intangible assets	1,087,000	1,104,941
Total non-current assets	**1,258,189**	1,260,962
Total assets	**1,335,713**	1,353,319
Current liabilities		
Trade and other payables	48,762	45,261
Funds held on behalf of customers	11,616	8,130
Borrowings	–	313
Unearned revenue	38,942	37,545
Provisions	12,805	11,834
Total current liabilities	**112,125**	103,083
Non-current liabilities		
Borrowings	423,093	395,212
Provisions	20,259	5,723
Deferred tax liabilities	7,202	15,819
Total non-current liabilities	**450,554**	416,754
Total liabilities	**562,679**	519,837
Net assets	**773,034**	833,482
Equity		
Contributed equity	1,098,445	1,141,611
Retained earnings	(323,264)	(305,994)
Reserves	(2,147)	(2,135)
Total equity	**773,034**	833,482

At 31 December 2018, the Consolidated Balance Sheet reflected an excess of current liabilities over current assets of $34.6 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.

16 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 %
OnDeck Capital Australia Pty Ltd	Provider of finance to small business	Australia	31 December	30.0	30.0

The ownership interest at the Group's and the associates' reporting dates are the same.

Movement in carrying amount of investments in associates

	2018 $'000	2017 $'000
At the beginning of the financial period	**7,545**	6,898
Increase in investment in associates [1]	3,000	3,000
Conversion of equity accounted investment to partially owned subsidiary (refer note 12)	(3,610)	–
Share of losses from equity accounted investments	(2,652)	(2,353)
At the end of the financial period	**4,283**	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.

No dividends were received from associates during the period.

SIGNIFICANT ACCOUNTING POLICIES

Equity accounted investments

The Group's investments in its associates, being entities in which the Group has significant influence and are neither subsidiaries nor jointly controlled assets, are accounted for using the equity method. Under this method, the investment in associates is carried in the Consolidated Balance Sheet at cost plus the Group's post-acquisition share of the associates' net profit/loss.

Where the Group has determined that it does not have either control or significant influence, the investment is disclosed as a financial asset held at fair value through other comprehensive income (FVOCI) (refer to Note 7 'Other Investments').

EMPLOYEE REMUNERATION

17 SHARE-BASED PAYMENTS

Benefits are provided to employees (including the CEO and senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for equity/rights over shares.

The Group has three forms of share-based payments:

PERFORMANCE SHARE SCHEME

During MYOB Group's Initial Public Offering on 7 May 2015, all previously issued 48,111,176 Management 'A' shares were converted to 3,547,710 ordinary shares and 21,286,246 performance shares. Performance shares do not carry any voting rights or entitle the holder to any dividends or any returns on a reduction of capital or upon winding up of the Company.

The number of shares into which performance shares may convert varies upon the share price over a 20-business day consecutive volume weighted average price (VWAP) ending on the relevant testing dates being 30 September 2016, 30 September 2017 and 30 September 2018.

Performance shares held under the LTI did not convert to ordinary shares during FY17 or FY18 as the share price did not meet the prescribed hurdle set for the second and third testing dates of 30 September 2017 and 30 September 2018. This resulted in a $1 million transfer from share-based payment reserves to retained earnings.

This scheme is now closed.

LONG-TERM INCENTIVE PLAN

On 1 February 2017, 7,060,400 ordinary shares at $3.4587 per share were issued as new equity of MYOB Group Limited to participants of the LTIP. These ordinary shares, that are retained by the Group until such time as they become available to participants of the LTIP (following the achievement of prescribed performance metrics), are classified as treasury shares per AASB 132 *Financial Instruments: Presentation*. Under this accounting standard, treasury shares are deducted from contributed equity (refer Note 9 'Contributed equity').

UNIFIED INCENTIVE PLAN

On 1 January 2018 MYOB introduced a unified incentive plan (UIP) to link reward more directly to the value drivers of the business. The UIP unifies the short-term and long-term incentive arrangements into one scheme. Performance against a single set of annual performance metrics determines both the cash award and the equity available to participants. The quantum of equity available at the performance thresholds is set early in the performance year, increasing the value through the period.

Equity is deferred for a 3-year period through this time further reinforcing the alignment with shareholder interests. This deferral supports the building of long-term shareholdings amongst the participants. The deferral window also provides the opportunity to identify and address risks or issues that may emerge after the performance period. The Board retains the discretion to claw back deferred equity during the deferral period.

The UIP is not a loan-funded arrangement, significantly reducing the administration complexity of the scheme, whilst also enhancing ease of understanding.

17 SHARE-BASED PAYMENTS (CONTINUED)

Movements in employee equity plans during the financial period were:

	NUMBER OF SHARES ('000) LTI	LTIP
Outstanding at the beginning of the financial period	4,297	6,040
Forfeited or cancelled during the financial period	(4,297)	(501)
Outstanding at the end of the financial period	**–**	**5,539**

The expenses arising from share-based payments are as follows:

	2018 $'000	2017 $'000
Long-Term Incentive Plan (LTI/LTIP)	650	650
2018 Unified Incentive Plan (UIP)	1,125	–
	1,775	650

SIGNIFICANT ACCOUNTING POLICIES

The LTI, LTIP and UIP are accounted for as share-based payments under AASB 2 *Share-based Payment* as any distribution would be partly based upon the equity value of MYOB Group Limited. The share-based payment expense in relation to these schemes is recognised in MYOB Australia Pty Ltd, a subsidiary of MYOB Group Limited, on a pro-rata basis over the expected vesting period. The arrangement is treated as an equity settled expense.

This treatment for the LTI was a continuation of the Management 'A' share scheme. That share scheme vested over 5 years in line with the Management 'A' share scheme and concluded in September 2016.

The LTIP scheme will vest as follows: two thirds over 2 years (testing was completed at the end of 2018 and resulted in no issues from this portion of this scheme) and one third over 3 years.

The UIP scheme will vest over 4 years.

The fair value of the shares for all employee-based share schemes are calculated by an external valuer with reference to the expected future return from the plan. It includes estimates around the expected future exit date and the estimated enterprise value of the Group from which the distribution would be calculated.

18 KEY MANAGEMENT PERSONNEL

	2018 $'000	2017 $'000
Short-term employee benefits	5,753	4,670
Post-employment benefits	214	247
Long-term benefits	41	90
Share-based payments	1,264	348
Termination benefits	–	517
	7,272	5,872

Remuneration disclosures are provided in the 'Remuneration Report' on pages 44 to 57 of the Annual Report.

ITEMS NOT RECOGNISED IN THE FINANCIAL STATEMENTS

19 COMMITMENTS FOR EXPENDITURE

	LEASE COMMITMENTS		CAPITAL EXPENDITURE AND OTHER COMMITMENTS	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Within 1 year	8,331	6,884	–	477
Later than 1 year but not more than 5 years	22,537	17,331	–	–
More than 5 years	10,925	2,969	–	–
	41,793	27,184	**–**	477

NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The Group has operating lease commitments predominantly in relation to commercial property leases with the majority including renewal options. There are no restrictions placed upon the lessee by entering into these leases.

CAPITAL EXPENDITURE AND OTHER COMMITMENTS

The Group has no contractual commitments for the payment of office refurbishment and construction works in existence at reporting date.

20 EVENTS OCCURRING AFTER REPORTING DATE

No matters or circumstances have arisen since the end of the financial year 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 years.

OTHER INFORMATION

21 RELATED PARTY TRANSACTIONS

The Group's related parties are predominantly its associates and key management personnel of the Group. Disclosures relating to key management personnel are set out in Note 18 'Key management personnel'. All transactions were entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

TRANSACTIONS WITH RELATED PARTIES

	ASSOCIATES	
	2018 $'000	2017 $'000
Sale of goods and services	453	184
Purchase of goods and services	126	174
	579	358

OUTSTANDING BALANCES WITH RELATED PARTIES

	ASSOCIATES	
	2018 $'000	2017 $'000
Trade amounts owing to related parties	–	31
	–	31

22 AUDITOR'S REMUNERATION

During the year the following fees were paid for services provided by the Group's auditors, PwC Australia, and its related practices:

	PWC AUSTRALIA		RELATED PRACTICES OF PWC AUSTRALIA		TOTAL	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Assurance services						
Audit and review of financial reports	566	427	65	53	631	480
Total assurance services	**566**	427	**65**	53	**631**	480
Non-assurance services						
Acquisition related	8	395	–	–	8	395
Project related	–	3	–	8	–	11
Tax advisory	23	55	–	–	23	55
Total non-assurance services	**31**	453	**–**	8	**31**	461
Total remuneration	**597**	880	**65**	61	**662**	941

23 OTHER SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements comprise the financial statements of MYOB Group Limited and its subsidiaries (the Group) as at 31 December each year. Subsidiaries are all entities (including structured 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.

In preparing the Consolidated Financial Statements, all intercompany balances and transactions, including unrealised profits arising from intra-group transactions, income/expenses and profits/losses from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless the transaction provides evidence of the impairment of the asset. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the Consolidated Financial Statements include the results for the part of the reporting period during which the Group had control.

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of certain critical accounting estimates.

It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the relevant note to the financial statements.

CHANGES IN ACCOUNTING POLICIES

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 7 and Note 1 respectively. As previously disclosed, the Group has applied the full retrospective approach upon transition to AASB 15.

23 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and amended Accounting Standards and Interpretations

Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2018 reporting period and have not yet been applied in these financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below.

SUMMARY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR GROUP
AASB 16 *Leases* AASB 16 will affect the accounting by lessees and 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. The only exceptions are short-term low value leases. The Group will therefore 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 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 Group EBITDA, NPAT and NPATA (which is the measure utilised by the Chief Operating Decision Maker to measure profitability and reward financial performance). The Group is intending to report under the new leasing standard for the full year ending 31 December 2019 (interim financial report 30 June 2019). 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. To date, work has focused on the identification of the provisions of the standard which will most impact the Group and conducting a detailed review of its existing contracts and corresponding financial reporting impacts. As at the reporting date, the Group has non-cancellable operating lease commitments of $41.8 million, see Note 19 'Commitments for expenditure'.	1 January 2019	1 January 2019

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

DIRECTORS' DECLARATION

In the Directors' opinion:

a) the financial statements and notes as set out on pages 59 to 97, 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 31 December 2018 and of its performance for the financial year 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; and

c) at the date of the declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 13 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 15.

The 'Basis of preparation' on page 59 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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
29 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MYOB GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Our opinion

In our opinion:

The accompanying financial report of MYOB Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 December 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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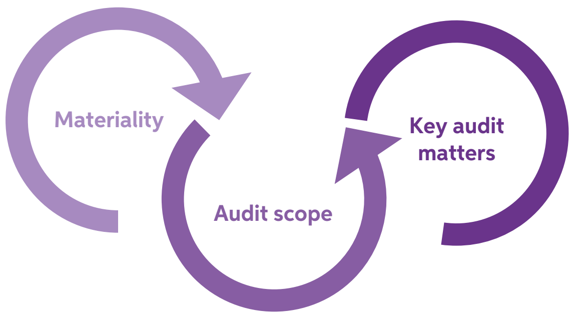
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



MATERIALITY	AUDIT SCOPE	KEY AUDIT MATTERS
• For the purpose of our audit, we used Group overall materiality of $4.8m which is based on approximately 2.5% of the Group's earnings before interest, tax, depreciation and amortisation (EBITDA). • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose EBITDA because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark in the industry. • We selected 2.5% based on our professional judgement noting that it is within the range of commonly acceptable earnings related thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group operates across Australia and New Zealand. Acting under our instructions, component auditors performed an audit of the financial information of MYOB New Zealand as it is financially significant to the Group. The remaining audit procedures were performed by PwC Australia.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Carrying value of goodwill and indefinite lived intangible assets – Capitalisation of internally generated software – Useful life of intangible assets – Revenue recognition • These are further described in the *Key audit matters* section of our report.

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 for the current period. The key audit matters were 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 these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Carrying value of goodwill and indefinite lived intangible assets *(Refer to note 6 in the financial report)* The Group recognises $1,277m of intangible assets comprised of goodwill, brands, commercialised software, internally generated software, acquired IP and customer relationships. These assets are assessed for impairment for each cash generating unit (CGU) through the use of discounted cash flow models (the models). The assessment of whether an impairment charge was necessary was a key audit matter as these balances are the largest asset on the balance sheet and the assessment involved significant judgement by the Group including forecasting the following key assumptions: • Future cash flows for the next five years • Nominal discount rate (pre tax) • Terminal growth rate	We performed a number of procedures including the following: • Evaluated whether the assessment of CGUs remained consistent with our understanding of the Group's operations and internal Group reporting. • Evaluated the methodology applied by the Group in allocating corporate assets and costs across CGUs. • Considered whether the methodology in the models was consistent with the basis required by Australian Accounting Standards. • Compared the cash flow forecasts for 2019 in the models to those in the latest Board approved budgets. • Evaluated the Group's ability to forecast future results for impairment models by comparing budgets with reported actual results for the previous year. • Assessed whether the growth rate assumptions in the models' forecasts were consistent with our understanding by comparing the growth rate assumptions with historical performance and our understanding of the drivers of performance such as historic customer retention rates. • Evaluated the appropriateness of the nominal discount rate by assessing the reasonableness of the relevant inputs to the calculation with the assistance of PwC valuations specialists. • Evaluated the appropriateness of the terminal growth rate by comparison to the long term average growth rates of the countries the Group operates in, being Australia and New Zealand. • Evaluated the finalisation of the allocation of goodwill from the Paycorp acquisition to the CGUs which are expected by the Group to benefit from the synergies of the acquisition. • Evaluated the adequacy of the disclosures made in note 6 of the financial report, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Capitalisation of internally generated software ***(Refer to note 6 in the financial report)*** During the year, the Group capitalised internal software development project costs of $52m. These projects were predominantly in relation to the development of the MYOB Platform. The costs mainly comprised of payroll. The Group's accounting policy is described in note 6 in the financial report. The capitalisation of internally generated software costs was a key audit matter due to the size of the internal costs capitalised and the judgement involved for the Group in assessing whether the criteria set out in the Australian Accounting Standards required for capitalisation of such costs had been met, particularly: • The technical feasibility of the project • The likelihood of the project delivering sufficient future economic benefits. The Group's judgements also included whether capitalised costs were of a developmental rather than research or maintenance nature (which would result in the costs being expensed rather than capitalised) and whether costs, including payroll costs, were directly attributable to relevant projects.	We performed a number of procedures including the following: • Obtained an understanding of the organisational process for development of the MYOB Platform and in turn the financial controls for the recording of capitalised internally generated software. • Assessed controls in place to review classification changes of development projects. • On a sample basis, agreed payroll and other capitalised costs to supporting documentation and assessed the determination of these as capital or not. • Assessed key metrics that support the future income stream of a selection of the projects including assessing the number of users who have migrated to newly released products to examine whether the initial assumptions applied in determining project feasibility continue to hold true.
Useful life of intangible assets ***(Refer to note 6 in the financial report)*** On at least an annual basis, the Group assesses its portfolio of intangibles assets and uses judgement to determine whether the assets have a finite or indefinite useful life. This classification then determines if an intangible asset is amortised or unamortised respectively. In making this determination at 31 December 2018, the MYOB brand intangible asset is carried on the balance sheet at $112.5m and is the only indefinite lived intangible assets aside from goodwill and as such is not amortised. Other acquired brands have a useful life of between 3-5 years based on the judgements regarding the strategies of these brands and the period over which expected cash flows will continue to be derived from these brands. Additionally, the Group carries intangible assets with finite lives of $212m in relation to: • Internally Generated Software • Commercialised Software • Acquired IP, and • Customer Relationships.	We performed a number of procedures including the following: • Assessed the Group's intentions to continue to use the MYOB brand name across new and existing products to support its indefinite lived determination. • Considered the useful life of capitalised software through our understanding of the Group's anticipated migration rates from existing to newly released products. • Evaluated the Group's assessment that the useful lives of intangible assets are appropriate at year end. This included performing a 'look back' analysis that compared the actual churn rates to the assumed churn rate that formed the determination of the useful life of customer relationships at acquisition. • Tested amortisation expense for finite life intangible assets and found the expense to be calculated consistently with the Group's stated amortisation rates.

<table>
<tr><th>KEY AUDIT MATTER</th><th>HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER</th></tr>
<tr><td>The Group continues to invest in on-going development of new and existing products which are available to new and existing customers. As such a focus is also required on the useful lives of this existing capitalised software and customer relationships intangibles to assess their estimated useful lives with reference to any deviations to considerations made at the time of their previous assessment.

The assessment of useful lives of intangible assets was a key audit matter due to the judgement involved by the Group and the potential impact on the profit from the amortisation expense.</td><td></td></tr>
<tr><td>Revenue recognition
(Refer to note 1 in the financial report)
During the year, the Group adopted a new revenue recognition policy due to the mandatory implementation of a new accounting standard AASB 15. Revenue recognition was a key audit matter due to:
the significance of revenue to understanding the financial results for users of the financial report.
the extent of deferred revenue held by the Group and the assessment of its systematic release in line with relevant revenue recognition principles.
the complexity involved in applying the new AASB 15 requirements given the extent of revenue streams, payment methods and variations in terms and conditions associated with MYOB's product mix and the continual evolution of the business model in response to market demands.
the significance of potential differences between the new and old accounting standards for the Group and the software industry sector via the further clarity provided in AASB 15 on the treatment of licences as either 'right to access' or 'right to use' which determines if the appropriate accounting treatment is to defer or immediately recognise revenue respectively.
the complexity associated with the varied nature of bespoke contracts in forming new commercial arrangements.</td><td>We performed a number of procedures including the following:
Developed an understanding of and evaluated the operating effectiveness of relevant key revenue internal controls, including deferred revenue calculation and release controls.
On a sample basis, recalculated the deferred portion of customer agreements and compared this to the amount deferred on the balance sheet.
Assessed associated reconciliations including accounts receivable and deferred revenue for unusual reconciling items.
Assessed the value of credit notes raised over the year and for a select period post year-end.
Developed a risk based approach to perform journal entry testing on a sample basis to determine the appropriateness of manual postings to revenue.
Assessed whether the Group's new accounting policies were in accordance with the requirements of AASB 15 through consideration of accounting papers on key areas of judgement prepared by the Group.
Considered the appropriateness of accounting impact quantifications applied by the Group including whether key judgements such as the treatment of licence revenue and contract costs, were consistent with the interpretation of AASB15.
For a sample of contracts across the MYOB's revenue streams we:
Developed an understanding of the key terms of the arrangement including parties, term dates, background of agreement,performance obligations and payments to be made.
Considered the Group's identification of performance obligations and allocation of selling prices to the performance obligations.
On a sample basis, tested the appropriateness of revenue recognition of invoices issued to customers by assessing their contract with MYOB, the extent to which performance obligations per the contract had been met,and agreeing these invoices to cash received from customers or year-end accounts receivable as appropriate.
Evaluated the adequacy of the disclosures made in note 1 in light of the requirements of Australian Accounting Standards.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon. We expect the other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information when it becomes available and, in doing so, 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors 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 objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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/ar1.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

Nadia Carlin
Partner

Melbourne
21 February 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MYOB GROUP LIMITED

pwc

REPORT ON THE REMUNERATION REPORT

Our opinion on the remuneration report

We have audited the remuneration report included in pages 44 to 57 of the directors' report for the year ended 31 December 2018.

In our opinion, the remuneration report of MYOB Group Limited (the Company) for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the remuneration report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of MYOB Group Limited and its controlled entities (the Group) in accordance with the auditor independence requirements of 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* (the Code) that are relevant to our audit of the remuneration report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018 but does not include the financial report and our auditor's report thereon.

Our opinion on the remuneration report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the remuneration report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the remuneration report

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*.

Auditor's responsibilities for the audit of the remuneration report

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

PricewaterhouseCoopers

Nadia Carlin
Partner

Melbourne
29 March 2019

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SHAREHOLDER INFORMATION

ORDINARY SHARES (ASX LISTED)

TOP 20 HOLDERS

The 20 largest holders of ordinary shares (as shown on the register on 25 February 2019) held 559,997,835 shares, equal to 94.79 per cent of the total issued ordinary capital.

RANK	NAME	ORDINARY SHARES	% OF ISSUED CAPITAL
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	135,140,913	22.87
2	ETA ASIA HOLDINGS II PTE. LTD.	103,935,106	17.59
3	CITICORP NOMINEES PTY LIMITED	101,651,231	17.21
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	86,540,860	14.65
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	38,572,443	6.53
6	BAIN CAPITAL ABACUS HOLDINGS L.P.	35,994,032	6.09
7	NATIONAL NOMINEES LIMITED	19,556,183	3.31
8	TIMOTHY REED	10,695,514	1.81
9	PACIFIC CUSTODIANS PTY LIMITED < MYO PLANS CTRL>	7,820,887	1.32
10	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	6,258,842	1.06
11	BNP PARIBAS NOMS PTY LTD <DRP>	2,454,171	0.42
12	FERGATRON CONSULTING PTY LIMITED	1,766,864	0.30
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,642,734	0.28
14	BAINPRO NOMINEES PTY LIMITED	1,480,963	0.25
15	RICHARD GILLEN MOORE	1,465,037	0.25
16	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,255,524	0.21
17	AUST EXECUTOR TRUSTEES LTD <GFFD>	1,183,618	0.20
18	AMP LIFE LIMITED	1,014,727	0.17
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	822,186	0.14
20	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL >	746,000	0.13
	Total	**559,997,835**	**94.79**
	Balance of register	**30,804,353**	**5.21**
	Grand total	**590,802,188**	**100.00**

DISTRIBUTION OF SHAREHOLDINGS AS AT 25 FEBRUARY 2019

RANGE	ORDINARY SHARES	% OF TOTAL	NO. OF HOLDERS
100,001 and over	570,634,016	96.59	64
10,001 to 100,000	10,380,841	1.76	393
5,001 to 10,000	3,720,794	0.63	518
1,001 to 5,000	5,364,475	0.91	2,380
1 to 1,000	702,062	0.12	1,394
Total	**590,802,188**	**100.00**	**4,749**
Unmarketable Parcels	**4,294**	**–**	**96**

SUBSTANTIAL HOLDINGS AS AT 25 FEBRUARY 2019

SUBSTANTIAL HOLDER	NUMBER OF ORDINARY SHARES IN WHICH THE HOLDER (OR THEIR ASSOCIATES) HAVE A RELEVANT INTEREST
Bain Capital Abacus Holdings, L.P.	35,994,032
Deutsche Bank AG, Sydney Branch	30,087,220
DWS Investment S.A.; DWS Investments UK Limited	41,900
DWS International GmbH	35,604
ETA Asia Holdings II Pte. Ltd	103,935,106
FIL Investment Management (Australia) Limited	33,216,493
FIL Investment Management (Hong Kong) Limited	3,720,851
FIL Investments (Japan) Ltd	47,158
FIL Limited	18,998
FIL Pension Management	486,588
HMI Capital LLC	37,421,638
Mawer Investment Management Ltd	51,215,631
MYOB Group Limited	109,473,904
Vinva Investment Management	29,567,382

VOTING RIGHTS

At a general meeting of the Company, every shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid share held by the shareholder.

CORPORATE DIRECTORY

COMPANY'S REGISTERED OFFICE

MYOB Group Limited
Level 3, 235 Springvale Road
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SHARE REGISTRY

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AUDITOR

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