



**MYOB GROUP LIMITED ABN 61 153 094 958**

**APPENDIX 4E – PRELIMINARY FINAL REPORT GIVEN TO ASX UNDER LISTING RULE 4.3A FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2015**

Item	Contents
1	Details of the reporting period
2	Results for announcement to the market
3	Net tangible assets per security
4	Dividends and distributions
5	Other information

**1. DETAILS OF THE REPORTING PERIOD**

**Reporting period:** 12 month period ended 31 December 2015

**Previous corresponding period:** 12 month period ended 31 December 2014

**2. RESULTS FOR ANNOUNCEMENT TO THE MARKET**

	Up/down, \$'000	% change	2015 \$'000	2014 \$'000
Revenue from ordinary activities	Up 40,552	14.12	327,777	287,225
(Loss) from ordinary activities after tax for the period attributable to members	Reduction in (Loss) (29,318)	40.96	(42,257)	(71,575)
(Loss) for the period attributable to members	Reduction in (Loss) (28,187)	39.92	(42,415)	(70,602)

Dividends per security	Cents per security	Franked amount per security (cents)
Interim dividend per security (30 June 2015)	Nil	Nil
Final 2015 dividend per security	5.0	Nil
Record date for determining entitlements to dividends	10 March 2016	

**Brief explanation of any of the figures reported above necessary to enable the figures to be understood:** Refer to the Directors' Report within the attached Annual report.

### 3. NET TANGIBLE ASSETS PER SECURITY

	% change	31 December 2015 cents per security	31 December 2014 cents per security
Net tangible assets per security	81.10	(0.61)	(3.22)

Net tangible assets are defined as the net assets of MYOB Group Limited less intangible assets. On 7 May 2015, at the completion of the Initial Public Offering of the company, 230 million additional shares were issued.

### 4. DIVIDENDS AND DISTRIBUTIONS

The company did not pay any dividends / distributions during the 12 month period ended 31 December 2015. The company has declared a dividend for the 12 month period ended 31 December 2015.

### 5. OTHER INFORMATION

MYOB Finance NZ Limited, a subsidiary of MYOB Group Limited, acquired 100% of shares in ACE Payroll Plus Limited on 31 May 2015 for NZD\$14.02 million. Refer to the attached Annual report on page 56.

MYOB Finance NZ Limited, a subsidiary of MYOB Group Limited, acquired 100% of shares in Information Management Services Limited on 30 September 2015 for NZD\$10 million. Refer to the attached Annual report on page 56.

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

Details of associates and joint venture entities: N/A

Any other information required pursuant to ASX Listing Rule 4.3A not contained in this Appendix 4E is found in the attached Annual report.





# MY OB

ANNUAL REPORT  
2015





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At MYOB we help businesses succeed. It is a simple, but powerful vision that aligns everything we do. Entrepreneurs start businesses with different goals, dreams, aspirations and views of success. Some start a business to grow, some because of their passion for what they do, others like the independence and flexibility.

Whatever their reason for being in business, we're here to help them succeed by developing intelligent, intuitive tools that make business life easier. We spend a lot of time with our clients understanding how they work, what motivates them and what keeps them going. These interactions enable us to channel their passion into ours. To us business isn't just business, it's personal.

## MYOB's operations are divided into three divisions:

### SME SOLUTIONS

Provides accounting software to 1.2 million SMEs, including accounting, payroll, tax and other business management software, with secure bank transaction data from banks or other financial institutions to assist in the preparation of the SME's accounts.

### PRACTICE SOLUTIONS

Provides practice software to more than 40,000 accountants, including client accounting, practice management, tax, document management, company secretarial and insolvency solutions.

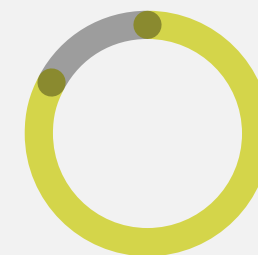
### ENTERPRISE SOLUTIONS

Provides enterprise software, including ERP and HRM software, to more than 7,000 medium and large businesses (generally 20 – 999 FTEs, with some 1,000+).

## PRO FORMA REVENUE

**\$328 million**

## REVENUE BY REGION



AUSTRALIA  
NEW ZEALAND

83%  
17%

## REVENUE BY DIVISION



SME SOLUTIONS  
PRACTICE SOLUTIONS  
ENTERPRISE SOLUTIONS

63%  
25%  
13%



# Financial highlights

MYOB continues to deliver on or above prospectus forecast.

## PRO FORMA REVENUE



\$328m

↑ 10% year over year

## PRO FORMA EBITDA



\$153m

↑ 19% year over year

## PRO FORMA NPATA



\$86m

↑ 22% year over year

## PRO FORMA CASHFLOW CONVERSION



87%

↓ 1% year over year

## SME PAYING USERS



545k

↑ 8% year over year

## SME ARPU



\$379

↑ 5% year over year<sup>1</sup>

Dividend declared of  
**5.0c per share**

Pro forma NPATA EPS  
of **14.7c**

Recurring revenue  
up **11%** to **\$312 million**,  
or **95.1%** of total revenue

Statutory EBITDA of  
**\$124 million** and  
NPAT of **(\$42 million)**

<sup>1</sup> vs Pro forma FY14 per IPO prospectus on a like-for-like basis.



# Operational highlights

2015 a year of transformation.

## COMPELLING FINANCIAL PERFORMANCE

**Returned** to the public market in **May 2015**

**Grew revenues 10%** and comfortably achieved prospectus forecasts

## SME GROWTH

**8% Paying user growth**, 5% ARPU growth

**Accelerating online adoption**, with 170,000 online users; up 46% on 2014

Online referrals from accountants **up by 27%**

## ACCOUNTING PRACTICES BEGINNING TO MOVE ONLINE

**Over 1,000** practices using MYOB Portal

Online versions of BankLink & Practice Ledger on track to be **released in 2016**

## TARGETED INVESTMENT IN FUTURE GROWTH

**15% of revenue invested in technology** in 2H15

Investment in digital sales and marketing resources **increased >30%**

**Leadership in New Zealand payroll:** PayGlobal, Ace Payroll and IMS acquisitions combined with MYOB's existing footprint mean over 30% of the New Zealand SME workforce are now paid by MYOB

## DIFFERENTIATED VISION

**VISION:** Bold strategy of connected practice underpinning investment in the MYOB online platform





## Chairman's letter

On behalf of your Board of Directors, I am pleased to present to our shareholders MYOB Group's maiden Annual Report for the financial year ending 31 December 2015.

MYOB has been an innovative software company since 1991, and provides tools to over a million enterprises and accountants to help improve their business performance and effectiveness. Through innovation the company has been able to consistently grow and maintain its position as a market leader in Australia and New Zealand.

2015 saw us return to the ownership of public investors, and many of our clients, as we listed on the ASX in the biggest tech listing ever for that exchange. During our first year as a publicly traded company we were especially pleased to meet or exceed all of the forecasts we published during our IPO process.

2015 delivered compelling pro forma financial results: NPATA and EBITDA grew 22% and 19% respectively, reflecting strong revenue growth across the business, up 10% year on year.

At listing we were well supported by institutions in Australia, the US and Europe and also by retail investors domestically. The reason, no doubt, lies in our long track record of growth, our trusted brand, proven management team and our consistent profitability.

**On the back of strong financial results, combined with significant cash generation, the Board is pleased to declare a final dividend of 5.0c per share for the year, representing a total of \$29 million returned to shareholders.**

**In a world where the market often divides stocks into "growth" stocks on the one hand or "yield" stocks on the other, MYOB offers both.**

In moving from private to public ownership we assembled a new board of non-executive directors, whose profiles are listed later in this report. They are an excellent group of senior leaders, drawing their experience from businesses all over the world. I would like to thank them for their enthusiasm and commitment to the company. I would also like to thank our management team, led by CEO Tim Reed. They have produced excellent results and are committed to continuing our trend of high growth and solid dividend return to investors.

Lastly, I would like to thank our clients – the 1.2 million small business owners and accounting practice managers in Australia and New Zealand who use MYOB software.

Our valued clients are the backbone of our high recurring revenue business and they provide us with the vital industry feedback we need so that we can continue to deliver best in class technology solutions, in keeping with our position as a market leader in the accounting software market.



**Justin Milne**  
Chairman







## CEO's report

MYOB has been in business for 25 years, and I'm proud to have been a member of our team for twelve years. During this time I've seen our business grow, adapt and innovate in new and exciting ways.

### Dear Shareholder,

In this, my first letter to shareholders, I'd like to share with you some of the core, long-term things that distinguish MYOB, and also some of our 2015 results and accomplishments.

### CLIENTS – DRIVE OUR WORLD

MYOB is a values based business. At the end of 2015 we surveyed our team and over 90% said they knew our values, and more importantly understood what they mean. We have six core values and always list "Clients – drive our world" as our first or leading value. Our founders lived this value and instilled it in the essence of who we are. We live this value in many ways, every day. From the over 800,000 technical support calls that our team members received from our clients in 2015, to the way in which our user experience team spend time with clients, really understanding their problems and finding innovative, intuitive solutions to solve them – at the core of every decision we make at MYOB is the impact it will have on our clients.

In the interests of brevity, I'll save discussing all our other values for another letter.

### 2015 – A YEAR OF FIRSTS

2015 will be seen as a pivotal year for our business. It was a year in which we accomplished many firsts, including:



**Undertaking the largest technology IPO in the history of the ASX.** MYOB is deeply invested in the local business environment in Australia and New Zealand. Our business is a trans-Tasman one, and we advocate for small businesses and encourage entrepreneurs in both markets, wherever possible. It is my hope that our IPO will increase our effectiveness in these endeavours and act as a sign of encouragement to others.

**A record investment in R&D (\$46m), leading to the delivery of some of our most innovative, intuitive and loved solutions.** The pace of change in our industry continues to accelerate. In 2015 we invested heavily in cloud and mobile technologies. The launch of MYOB Advanced (cloud ERP for growing businesses) and launch of MYOB Portal (allowing accountants to gain digital signatures from their clients via a mobile device) are highlights that will in years to come be seen as defining moments for our business.

**Winning the BRW title of "Most Innovative Large Company" for the first time.** Innovation is a process that everyone at MYOB lives. Innovation comes in small (continuous improvement) and large (new products) packages. Winning this award was a huge accolade for our team, recognising their ongoing efforts to find new and better ways for our clients.

### Our highest ever team engagement scores.

At our core we are an intellectual property business. To continue to create valuable, innovative IP we need a great, and committed team. I am immensely proud of the MYOB team and the way they work and would like to thank them for their ongoing commitment to MYOB, our clients and shareholders.

These operational wins lead to great financial outcomes. This annual report details many financial accomplishments, but I'd like to highlight a few that I believe demonstrate some of the distinctive features of our business:

#### 10% pro forma revenue growth to \$328M:

At our heart we think of ourselves and manage our business as a growth business. We're only achieving our vision of "helping businesses succeed" if we're growing – helping more businesses in more ways. We believe there is a large and exciting opportunity in front of us in the next 5 years as the accounting software market moves online and more clients take up our subscriptions. We intend to continue to lead and manage the business with a growth mindset.

**19% pro forma EBITDA growth to \$153M:** 2015 represents a record EBITDA for our business. It is not just the size of this result of which I am proud, but also the underlying quality of the earnings.

Over 95% of our revenue is recurring in nature – mainly subscriptions. Our solutions are highly valued by our clients, which leads to high retention rates. Ending the year with a record number of subscribers provides us with confidence that 2016 will be another great year.

#### 87% pro forma cash flow conversion:

once software businesses hit critical mass, the marginal dollar of revenue is highly profitable, and converts to cash at a very high rate. We're fortunate that over 24 years we've built a large and strong client base, and that means we have both high EBITDA margins and high cash conversion, while still being able to invest and drive top line growth. We see this dynamic continuing into the future.

These three results, taken together, highlight the strength of our business model.

At our core that's what we do, we help businesses succeed. We appreciate your support and look forward to a great 2016.



**Tim Reed**  
CEO

### MYOB VALUES:

<b>CLIENTS</b>	DRIVE OUR WORLD
<b>COLLABORATE</b>	WE'RE BETTER TOGETHER
<b>SIMPLIFY</b>	MAKE IT EASIER
<b>INNOVATE</b>	FIND NEW WAYS
<b>RESULTS</b>	ACHIEVE OUR GOALS
<b>PASSION</b>	LOVE YOUR WORK

## 2016 and beyond...

We enter 2016 with great momentum. Our team is bigger and stronger than ever. The way in which we are working means we're more productive than ever and we remain focussed on our core markets of Australia and New Zealand, core segments of small and medium enterprises and accountants in practice and core product category of business management tools.

We will continue to invest in online and mobile solutions in a targeted and disciplined manner, believing that market penetration of the cloud is between 2% and 20% is our different client segments, and that over the next 5 to 10 years the growth opportunity is large.

We believe the accounting industry is transforming. The once quite distinct business processes of transaction processing (recording a business' activities in accounting software), compliance (tax and corporate affairs) and advisory (interpretation of financial results and business process improvement), which our solutions facilitate, are all individually undergoing significant change. We're helping drive this change through automation and connectivity.

The bigger change, however, is that these three previously separate business processes are converging into one, connected business process. We see this transformation and are preparing by developing a single MYOB Platform that will offer accountants, bookkeepers, small businesses and their consultants unparalleled ability to drive business success.

# Key management personnel

At its core, MYOB is an intellectual property (IP) business. To continue to deliver innovative IP we need talented and enthusiastic people, led by an experienced and committed management team. The MYOB management team has a breadth of industry experience second to none and shares a common vision to deliver optimal results and maximum return for shareholders.



**Tim Reed**

EXECUTIVE DIRECTOR,  
CHIEF EXECUTIVE OFFICER



**Richard Moore**

CHIEF FINANCIAL OFFICER

Tim Reed joined MYOB in June 2003 and was appointed CEO in 2008 after holding a range of management roles. Throughout his time with MYOB, Tim has overseen the business' growth and its transformation into an online business. He also led the creation of the Enterprise Division in 2007 and the acquisition of BankLink in 2013. Prior to joining MYOB, Tim worked in Silicon Valley within a number of companies in global technology and internet markets. Tim is a Member of the Business Council of Australia and Chair of the Salvation Army's Oasis Advisory Board. Tim holds a Master of Business Administration from Harvard Business School, graduating as Baker Scholar, and a Bachelor of Commerce (Honours) from the University of Melbourne and is a graduate of the Australian Institute of Company Directors.

Richard Moore joined MYOB in April 2012 in the role of Chief Financial Officer and General Manager, Shared Services. Prior to joining MYOB, Richard held multiple senior finance roles across a diverse range of industries, including most recently CFO of Jetstar Airways and CFO of BankWest Business. Richard spent eight years at GE Capital in various finance roles across a number of divisions in both Europe and Australia, and worked for PwC in Edinburgh, Scotland. Richard holds a Master of Arts (Honours) in Economics from the University of Edinburgh and is a Member of the Institute of Chartered Accountants of Scotland.



### James Scollay

GENERAL MANAGER, SME SOLUTIONS



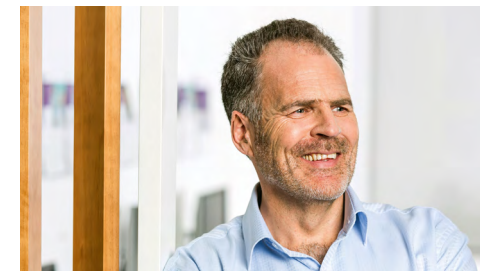
### John Moss

CHIEF STRATEGY OFFICER



### Adam Ferguson

GENERAL MANAGER,  
ENGINEERING & EXPERIENCE



### Andrew Birch

GENERAL MANAGER,  
INDUSTRY SOLUTIONS

James Scollay joined MYOB in April 2012 as General Manager, Business Division and is now General Manager, SME Solutions. Prior to joining MYOB, James led the evolution of Macquarie Telecom's sales and marketing function. He also spent several years at online messaging and web security services provider Message Labs, building and leading their Asian operations. During his tenure at Message Labs, it was acquired by software developer Symantec where he ran the Asia Pacific hosted services division. James brings to MYOB more than 20 years of experience managing technology companies around the globe.

John Moss joined MYOB in January 2007 and held the positions of Corporate Development Manager 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.

Adam Ferguson joined MYOB in July 2004 when it acquired accounting software developer Solution 6. He was appointed General Manager, Accountants Division in 2006. Prior to its acquisition by MYOB, Adam had worked with Solution 6 for nine years, holding a variety of roles in Client Management, Sales Management, Product Management and General Management. Adam holds a Master in Business and IT Management from the University of Technology, Sydney and a Bachelor of Commerce from the University of Newcastle.

Andrew Birch joined MYOB in 2009 as General Manager, Enterprise Division and more recently was appointed General Manager, Industry Solutions. Prior to joining MYOB, Andrew held a number of senior management positions within the technology, telecommunications and software sectors, particularly in the leadership and growth of significant technology companies, 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 the Swinburne Institute of Technology and a Master of Business Administration from RMIT University.



# MYOB

25 YEARS OF INNOVATION



1991

1993

1997

2004

2005

2007

## LAUNCH

MYOB offers "Incredible Accounting Software" that is easy to use for non-accountants

## LAUNCH

Professional partner program – accountants, bookkeepers, certified consultants, developers, retailers and more, all to support business owners

## EXPAND

To include specialist accountant solutions – complete management solutions for accounting practices

## ACQUISITION

Solution 6, market leading practice solutions – the basis of MYOB Practice Solutions

## ACQUISITION

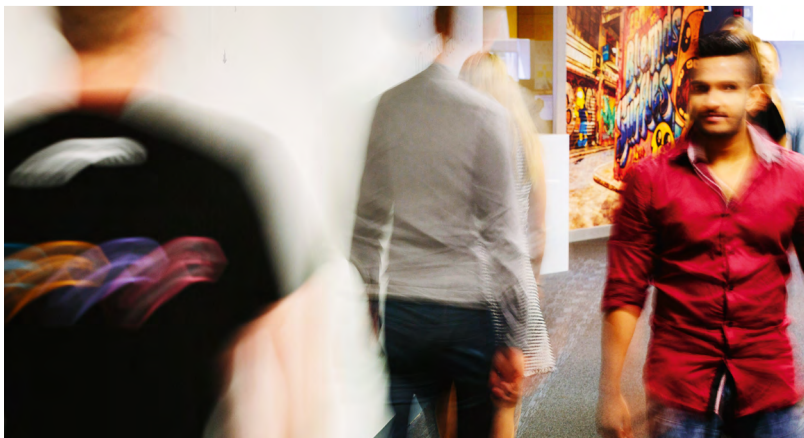
Exonet & Comacc – business management products for larger business – the basis of MYOB Enterprise Solutions

## EXPAND

To offer a range of website management solutions for small and medium sized businesses







2010

2012

2013

2014

2015

Beyond

## LAUNCH

First cloud product, now providing cloud-enabled business management solutions

## ACKNOWLEDGED

For the coveted "Transformation Award" from Human Synergistics, recognising the constructive work place culture

## ACQUISITION

BankLink, providing market leading bank feeds for MYOB cloud solutions

## ACKNOWLEDGED

On the annual *BRW Most Innovative Companies* list

## ACQUISITION

PayGlobal, an enterprise HR and payroll solutions company

## ACKNOWLEDGED

For MYOB PayDirect, at the Australian Mobile and App Awards

## ACKNOWLEDGED

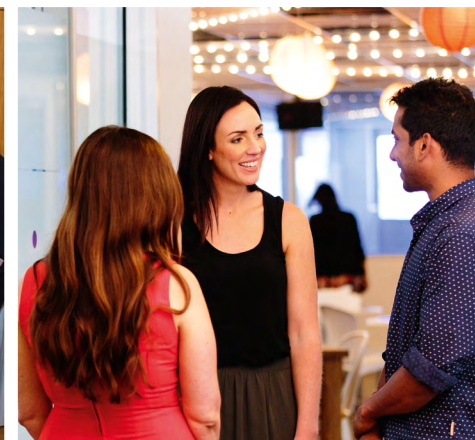
Awarded Most Innovative Large Company in the annual *BRW Most Innovative Companies* list

## LISTED ASX

MYOB lists on the ASX

## GROWTH

Continued investment in innovation to build an intelligent, intuitive platform that helps businesses succeed







## Operational and financial review

I am pleased to present the Operating and Financial Review (OFR) for MYOB Group Limited for the year ended 31 December 2015, our first as a listed company.

This OFR is designed to assist shareholders understand MYOB's business performance and the factors underlying its results and financial position. It complements the financial disclosures in the Annual Financial Report.

The OFR covers the period from 1 January 2015 to 31 December 2015, including the comparative prior period and FY15 forecast set in the April 2015 IPO Prospectus, and includes pro forma numbers for FY15 prepared on the same basis as presented in the Prospectus. The pro forma adjustments in FY14 and FY15 reflect the impact of historical acquisitions and divestments, reflect MYOB's operating and capital structure following IPO completion, eliminate certain non-recurring items and reflect standalone public company costs.

Due to the change in MYOB's capital structure post-IPO and the large number of one-off costs in the 2015 statutory results, it is more meaningful to compare MYOB's year on year financial performance on a pro forma basis than comparing the statutory reported financial information. Hence all of the analysis below is reported on a pro forma basis, with a reconciliation back to statutory results in section 1.2.



## 1. COMPELLING FINANCIAL RESULTS

MYOB delivered a year of strong double digit growth with pro forma Revenue, EBITDA and NPATA for FY15 exceeding IPO forecast. This performance is underpinned by revenue growth in all segments combined with prudent expense management, which has allowed increased investment in product and marketing year on year. MYOB's strong cash generation has allowed a dividend of 5.0c per share to be declared for FY15, with a record date of 10 March 2016 and a payment date of 5 April 2016. Table 1 contains a high-level view of MYOB's financial results. A detailed analysis of this performance is provided.

### 1.1 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.

Pro forma NPATA was \$85.9 million against the pro forma result for FY14 of \$70.3 million and the Prospectus forecast of \$84.8 million. The pro forma adjustments for FY15 are reconciled back to the statutory result in Table 3.

The driver of improved NPATA against the pro forma result for FY14 was primarily increased EBITDA. Pro forma NPATA grew at 22 per cent, exceeding the pro forma EBITDA growth rate of 19 per cent due to lower net financing costs, driven by the lower interest rate environment in 2015.

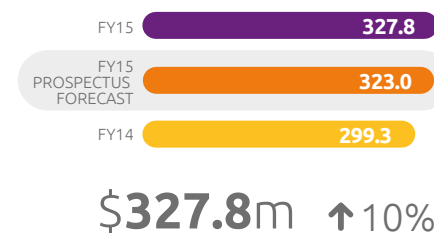
Table 1: Pro forma financial results

A\$M; 12 MONTHS ENDED 31 DECEMBER	FY14	FY15	FY15 PROSPECTUS FORECAST	V FY14	V PROSPECTUS FORECAST
Revenue	299.3	327.8	323.0	10%	1%
EBITDA	128.5	152.9	150.6	19%	2%
NPAT	28.2	45.2	45.4	60%	0%
NPATA	70.3	85.9	84.8	22%	1%

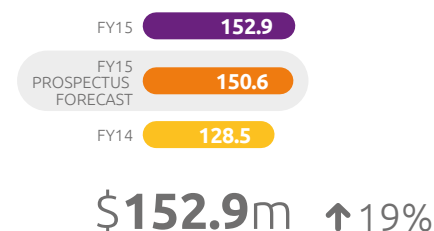
Table 2: Statutory financial results

A\$M; 12 MONTHS ENDED 31 DECEMBER	FY14	FY15	FY15 PROSPECTUS FORECAST	V FY14	V PROSPECTUS FORECAST
Revenue	287.2	327.8	323.0	14%	1%
EBITDA	110.6	124.2	125.4	12%	-1%
NPAT	(71.6)	(42.3)	(43.9)	41%	4%
NPATA	(29.1)	(1.6)	(4.5)	94%	64%

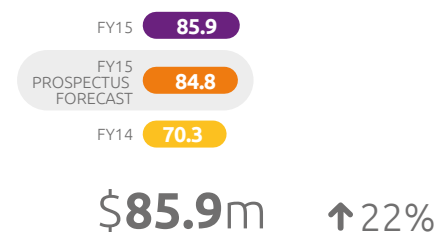
### REVENUE (A\$MILLION)



### EBITDA (A\$MILLION)



### NPATA (A\$MILLION)



## 1.2 PRO FORMA ADJUSTMENTS TO STATUTORY RESULTS FOR FY15 NPAT AND EBITDA

**Table 3: Reconciliation of statutory to pro forma NPAT and EBITDA**

\$ IN MILLIONS	NOTE	NPAT		EBITDA	
		FY15	FY15 PROSPECTUS FORECAST	FY15	FY15 PROSPECTUS FORECAST
<b>Statutory Result</b>		<b>(42.3)</b>	<b>(43.9)</b>	<b>124.2</b>	<b>125.4</b>
Offer transaction costs expensed	1	–	0.3	–	0.3
Public company costs	2	(0.7)	(0.7)	(0.7)	(0.7)
Net interest adjustment	3	103.5	102.3	–	–
Acquisition transaction and integration costs	4	5.0	2.0	5.0	2.0
Offer related adjustments and other transaction costs	5	20.3	20.2	20.3	20.2
Business transformation one-off costs	6	1.7	1.0	1.7	1.0
Other non-recurring adjustments	7	2.3	2.3	2.3	2.3
Tax effect of pro forma adjustments	8	(44.7)	(38.1)	–	–
<b>Total pro forma adjustments</b>		<b>87.5</b>	<b>89.3</b>	<b>28.7</b>	<b>25.2</b>
<b>Pro forma Result</b>		<b>45.2</b>	<b>45.4</b>	<b>152.9</b>	<b>150.6</b>

Notes to table 3:

- Expenses of the IPO relating to the sale of existing shares by the selling shareholders.
- MYOB's estimate of the incremental costs that the company would have incurred as a public entity from January to April 2015. These costs include Chairman and other non-executive director remuneration, additional audit and legal costs, listing fees, share registry costs, directors' and officers' insurance premiums as well as investor relations, annual general meeting and annual report costs.
- MYOB's historical debt structure was refinanced in part by proceeds of the IPO and in part by the new banking facilities. The net interest expense included in the pro forma historical results and FY15 forecast has been adjusted to reflect the anticipated gross debt leverage ratio of MYOB using base rates that prevailed, or are assumed to prevail, during the relevant periods, based on the Australian Financial Markets Association Bank Bill Reference Rate ("BBSW"), and margins under the terms of the new banking facilities following completion.
- An adjustment has been made to remove one-off transaction costs, redundancy and integration costs relating to the acquisitions of BankLink, PayGlobal, Ace Payroll and IMS that were expensed in the Statutory Historical Results and FY15 Statutory and Forecast Results.
- Adjustment to remove the impact of one-off senior management cash bonuses and the gifting of shares to eligible employees under the Employee Offer, expensed in the FY15 statutory actual and forecast results. Adjustment has also been made to remove one-off adviser fees, to eliminate the impact of historical advisory services fees and management fees paid to Bain Capital which will not continue post listing.
- Adjustment to remove the impact of business transformation initiatives and costs including those relating to the closure of MYOB's Kuala Lumpur office in FY14.
- Adjustment to reverse the impact of other one-off and non-recurring items that were expensed in the statutory historical results and FY15 statutory and forecast results, including costs associated with a 'pilot' campaign to test the effectiveness of brand advertising which has not generated directly attributable incremental revenues, the restructure of MYOB's partner sales management team and the non-cash gains and losses arising from the sale of non-current assets.
- The tax impact attributable to adjustments referenced in notes 1–7 above has been calculated using an effective tax rate of 30 per cent. The effective rate in FY15 is 34 per cent due to R&D tax incentives and higher than expected interest deductions carried forward from FY14.

### 1.3 PRO FORMA EBITDA

MYOB's pro forma FY15 EBITDA was \$152.9 million, up 19 per cent against the FY14 pro forma result and 2 per cent above the FY15 Prospectus forecast, reflecting double digit revenue growth partially offset by moderate operating cost growth as outlined in section 1.3.2.

Table 4: Pro forma revenue and total operating expenses

A\$M; 12 MONTHS ENDED 31 DECEMBER	FY14	FY15	FY15 PROSPECTUS FORECAST	V FY14	V PROSPECTUS FORECAST
Revenue	299.3	327.8	323.0	10%	1%
Operating Expenses	(170.8)	(174.9)	(172.4)	2%	1%
<b>EBITDA</b>	<b>128.5</b>	<b>152.9</b>	<b>150.6</b>	<b>19%</b>	<b>2%</b>
EBITDA Margin %	42.9%	46.6%	46.6%	3.7%	0.0%

Revenue grew at 10 per cent and operating expenses 2 per cent from FY14, and are both 1 per cent above FY15 Prospectus forecast. This resulted in an improvement in EBITDA Margin (EBITDA as a percentage of revenue) of 3.7 percentage points to 46.6 per cent, in line with Prospectus forecast.

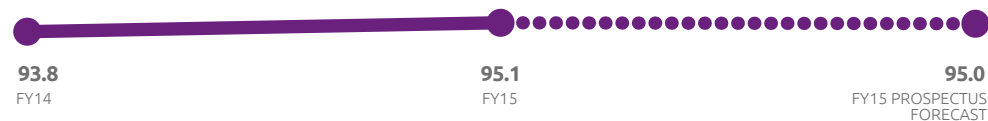
#### 1.3.1 Pro forma revenue performance

Revenue grew in all segments compared to FY14, with the majority of the growth being in the SME Solutions segment. The post-IPO acquisitions of Ace Payroll and IMS in 2015 delivered \$2.9 million of revenue (all in SME Solutions). Recurring revenue, which is the revenue derived from paying users including subscription and maintenance payments, but excluding one-off perpetual and new licence payments, was up 11 per cent to \$311.6 million, and its proportion of total revenue up 1.3 percentage points to 95.1 per cent. This was driven by the continued shift to online subscriptions in the SME and Enterprise segments.

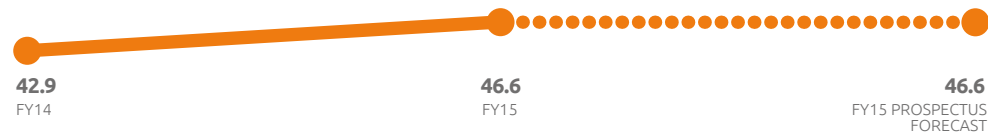
Table 5: Pro forma revenue by segment

A\$M; 12 MONTHS ENDED 31 DECEMBER	FY14	FY15	FY15 PROSPECTUS FORECAST	V FY14	V PROSPECTUS FORECAST
SME Solutions	180.4	205.0	201.4	14%	2%
Practice Solutions	79.4	81.7	82.6	3%	-1%
Enterprise Solutions	39.5	41.0	39.0	4%	5%
<b>Total Revenue</b>	<b>299.3</b>	<b>327.8</b>	<b>323.0</b>	<b>10%</b>	<b>1%</b>
Recurring Revenue %	93.8%	95.1%	95.0%	1.3%	0.1%

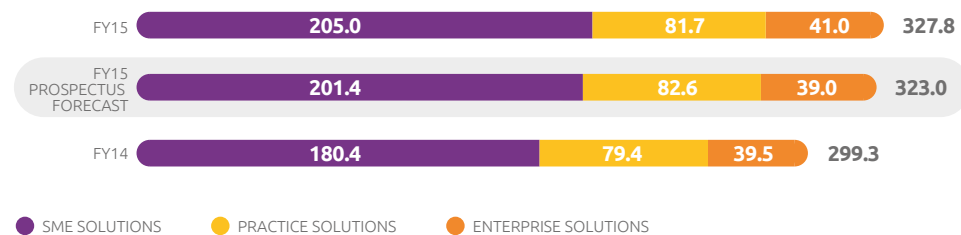
#### RECURRING REVENUE (%)



#### EBITDA MARGIN (%)



#### PRO FORMA REVENUE BY SEGMENT (A\$MILLION)



**\$327.8m** ↑ 10%



## Segment Revenue Performance

### SME Solutions (63 per cent of total revenue)

SME Solutions revenue grew at 14 per cent from FY14, of which 2 per cent was driven by the acquisitions of Ace Payroll and IMS. Organic revenue was up 12 per cent from FY14.

The organic revenue growth was driven by 14 per cent uplift in recurring revenue offsetting a 30 per cent reduction in perpetual licence revenue, which is expected as the business transitions to selling online subscriptions. Recurring revenue represents 97 per cent of SME Solutions total revenue, up from 95 percent in FY14. Recurring revenue growth has been driven by growth in online users (up 46 per cent to 170,000 in FY15), delivering:

- 8 per cent growth in the paying user base to 545,000
- High and stable retention rates (80 per cent – up 2 percentage points on Prospectus)
- 5 per cent growth in ARPU (Average Revenue per Paying User) from FY14 to \$379 per year

Ace Payroll & IMS contributed \$2.9 million of revenue in 2015 (of which \$2.7 million was recurring).

The growth in the online and paying user bases was supported by investment in product and increased sales and marketing spend year on year.

MYOB launched a number of new and innovative products to SME clients in 2015, including MYOB Smart Bills, MYOB PayDirect and MYOB PaySuper, helping drive uptake of its new online solutions.

Sales & Marketing spend increased over FY14, with advertising spend up 10 per cent (see 1.3.2) and additional investment in digital marketing resources.

### Practice Solutions (25 per cent of total revenue)

Practice Solutions revenue grew at 3 per cent from FY14, in line with long term growth rates, driven primarily by ARPU increases offset by limited (less than 2 per cent) client churn. Recurring revenue represents

97 per cent of Practice Solutions total revenue, in line with FY14.

The Practice Solutions software market is fully penetrated, with a small number of companies providing solutions to the vast majority of accountants in public practice in Australia and New Zealand.

As the practice software is central to the running of the accounting practice, churn is low and hence overall growth rates are muted and new software sales making up less than 3 per cent of revenue.

In April 2015, MYOB launched the MYOB Portal, the first online practice module, which by the end of 2015 was being used by 1,000+ practices and 16,000+ clients, making it the most successful launch of a Practice Solutions product in MYOB history.

### Enterprise Solutions (13 per cent of total revenue)

Enterprise Solutions revenue grew at 4 per cent from FY14, down from long term growth rates. This was expected given 2015 was the first year of the shift from selling up-front desktop software licences (MYOB Exo) to online subscriptions (MYOB Advanced). Recurring revenue represents 80 per cent of Enterprise Solutions total revenue, up from 79 per cent in FY14.

Even with the shift to online subscriptions slowing revenue growth in the short term, Enterprise Solutions revenue grew 5 per cent faster than expected in the Prospectus due to stronger than expected revenues from PayGlobal. This was driven by higher than expected sales conversion rates, and higher than forecast sales of the new MYOB Advanced product, launched in January 2015.

### 1.3.2 Pro forma operating expenses

Pro forma operating expenses grew by 2 per cent to \$174.9 million from FY14 pro forma and were 1 per cent higher than the Prospectus forecast.

Cost of goods sold increased by 10 per cent from FY14, driven by increased hosting costs for MYOB's online solutions. This grew more slowly than the number of online subscribers due to scale efficiencies.

Increases in staff related expenses were due to higher investment in digital sales and marketing headcount, and new team members from the Ace Payroll and IMS acquisitions, offset by decreases due to research and development (R&D) headcount being allocated to the MYOB single platform ([refer note 1.3.3](#)).

Total R&D spend was up 4 per cent on FY14 with the shift of investment to online solutions, not yet generating revenue, resulting in more R&D costs being capitalised in FY15 (see section 1.3.3).

Marketing spend increased by 12 per cent from FY14 and 11 per cent on FY15 Prospectus forecast due to increased radio and outdoor advertising to support the growth in online solutions in 2H15.

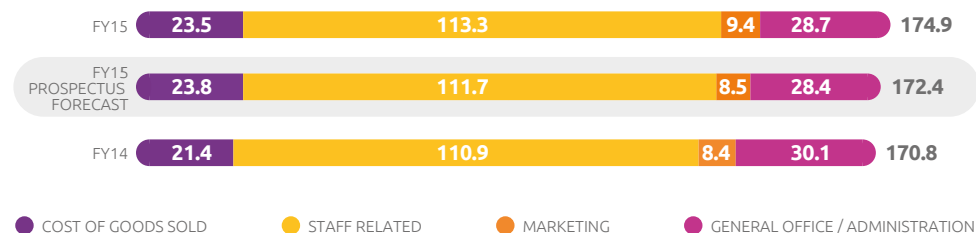
General office and administrations costs reduced by 5 percent in FY15 due to continued synergies from previous acquisitions and a focus on controlling non-sales and R&D expenses.

Table 6 outlines operating expenses and their composition.

**Table 6: Pro forma operating expenses**

A\$M; 12 MONTHS ENDED 31 DECEMBER	FY14	FY15	FY15 PROSPECTUS FORECAST	V FY14	V PROSPECTUS FORECAST
Cost of Goods Sold	21.4	23.5	23.8	10%	-1%
Staff Related	110.9	113.3	111.7	2%	1%
Marketing	8.4	9.4	8.5	12%	11%
General Office/ Administration	30.1	28.7	28.4	-5%	1%
<b>Total</b>	<b>170.8</b>	<b>174.9</b>	<b>172.4</b>	<b>2%</b>	<b>1%</b>

### PRO FORMA OPERATING EXPENSES (A\$MILLION)



**\$174.9m** ↑ 2%

### 1.3.3 Research and development expenditure

Research and development (R&D) costs are primarily staff-related. As previously guided, R&D costs increased in 2H15 to the upper end of the 13 – 16 per cent of revenue range noted in the Prospectus. In 2H15 they were 15.0 per cent of revenue, up from 13.4 per cent in 1H15.

In 2H15 investment shifted further to the MYOB single platform, including online versions of BankLink and Practice Ledger (to be launched in 1H16). The MYOB accounting policy is to expense R&D on existing products, and capitalise R&D costs related 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. In line with this accounting policy, the incremental costs were capitalised rather than expensed.

This resulted in a higher capex/opex ratio in 2H15 than expected in the Prospectus. As controlled investment in online solutions continues, this roughly 50/50 ratio is likely to be maintained through 2016, and total R&D spend is likely to remain in the upper half of the 13 per cent to 16 per cent of revenue range for the next 2–3 years. In the longer term, it is expected that the rate of growth will slow, but remain above 13 per cent of revenue.

**Table 7: Pro forma research and development spend**

A\$M; 12 MONTHS ENDED 31 DECEMBER	FY14	FY15	FY15 PROSPECTUS FORECAST	V FY14	V PROSPECTUS FORECAST
Expensed research and development	29.1	26.5	29.0	-9%	-9%
Capitalised research and development	15.6	20.1	14.1	29%	42%
<b>Total</b>	<b>44.7</b>	<b>46.6</b>	<b>43.1</b>	<b>4%</b>	<b>8%</b>
R&D as a percentage of revenue	14.9%	14.2%	13.3%	-0.7%	0.9%

### 1.3.4 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 8 outlines other expenses below EBITDA and their composition.

**Table 8: Pro forma other expenses below EBITDA**

A\$M; 12 MONTHS ENDED 31 DECEMBER	FY14	FY15	FY15 PROSPECTUS FORECAST	V FY14	V PROSPECTUS FORECAST
EBITDA	128.5	152.9	150.6	19%	2%
Depreciation/software amortisation	(10.3)	(13.0)	(12.9)	25%	0%
EBITA	118.2	139.9	137.7	18%	2%
Amortisation of acquired intangibles	(60.1)	(58.1)	(56.3)	-3%	3%
EBIT	58.1	81.9	81.4	41%	1%
Pro forma net interest expense	(17.6)	(16.8)	(16.6)	-5%	1%
PBT	40.5	65.1	64.8	61%	0%
Pro forma tax expense	(12.3)	(19.9)	(19.4)	62%	3%
NPAT	28.2	45.2	45.4	60%	0%
D&A add back (tax effected)	42.1	40.6	39.4	-3%	3%
NPATA	70.3	85.9	84.8	22%	1%

**Depreciation/software amortisation** increased by 25 per cent in FY15 due to increased levels of R&D capitalisation over the past 2 years, driven by the shift in spend to growth online solutions in all three segments.

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

**Pro forma net interest** expense decreased by 5 per cent due to the lower interest rate environment in FY15. Note the pro forma net interest expense in FY14 and FY15 assumes a consistent gross debt leverage based on post-IPO debt financing. See [note 3](#) under Table 3 for more details.

**Pro forma tax expense** assumes a flat 30 per cent tax rate so moves in line with PBT.

**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 FY14).

## 2. STRONG AND STABLE BALANCE SHEET AND HIGH CASH FLOW CONVERSION

MYOB has a stable base for future growth with a strong balance sheet and high cash flow conversion.

### 2.1 MYOB BALANCE SHEET

Table 9: MYOB's summary Balance sheet

BALANCE SHEET (\$ IN MILLIONS)	31-DEC-14		31-DEC-15
	AUDITED STATUTORY	PRO FORMA	ACTUAL
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.0	2.0	36.4
Other current assets	228.7	25.8	27.8
<b>Total current assets</b>	233.7	27.8	64.2
<b>Non-current assets</b>			
Intangible assets & goodwill	1,239.2	1,239.2	1,219.0
Other non-current assets	57.8	93.0	96.2
<b>Total non-current assets</b>	1,297.0	1,332.2	1,315.2
<b>Total assets</b>	1,530.8	1,360.0	1,379.4
<b>Liabilities</b>			
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	223.9	2.0	–
Unearned revenue	40.1	40.1	42.9
Other current liabilities	33.9	51.4	35.6
<b>Total current liabilities</b>	298.0	93.5	78.5
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	1,131.0	432.6	432.7
Other non-current liabilities	4.7	4.7	4.9
<b>Total non-current liabilities</b>	1,135.7	437.3	437.6
<b>Total liabilities</b>	1,433.7	530.8	516.2
<b>Net assets</b>	97.1	829.2	863.3
<b>Equity</b>			
Contributed equity	330.9	1,138.4	1,138.1
Retained earnings	(243.4)	(319.2)	(415.6)
Reserves	9.5	10.0	140.8
<b>Total equity</b>	97.1	829.2	863.3

The balance sheet as at 31 December 2015 and the pro forma comparative period reflect the MYOB Group post-IPO. The main difference between the audited statutory and pro forma FY14 balances is the change in financing structure after the IPO.

The cash balance has increased by \$34 million due to the strong cash generation of the business and lower interest charges post-IPO, offset by 2 acquisitions made from cash reserves since the IPO.

The net current asset position (current assets less current liabilities) has improved from FY14 but is still slightly negative, driven by the \$42.9 million balance in unearned revenue. This is cash revenue received on prepaid maintenance and subscription contracts and is non-refundable if the client cancels their contract, therefore the negative net current asset position is not a concern.

Intangible assets have reduced in FY15 due to continued amortisation of existing balances, offset by increased goodwill associated with the acquisitions of Ace Payroll and IMS.

The debt position is in line with the FY14 pro forma balance and reflects MYOB's post-IPO funding structure.

Contributed equity increased due to the proceeds from the IPO, and retained earnings declined, reflecting the \$42 million statutory loss for the full FY15 period plus \$130 million transferred to the undistributed profit reserve for future dividend payments.

### 2.2 MYOB PRO FORMA CASH FLOW GENERATION

Strong cash conversion of >85%, in line with prior year and Prospectus forecast. Table 10 shows MYOB's cash flow conversion.

Table 10: MYOB's pro forma free cash flow conversion

A\$M; 12 MONTHS ENDED 31 DECEMBER	FY14	FY15	FY15 PROSPECTUS FORECAST
EBITDA	128.5	152.9	150.6
Non-cash items in EBITDA	2.0	2.0	1.7
Change in net working capital	2.4	3.2	(5.2)
<b>Operating free cash flow before capital expenditure</b>	132.9	158.1	147.1
Capital expenditure	(20.1)	(25.4)	(17.5)
<b>Net free cash flow before financing, tax and dividends</b>	112.8	132.6	129.6
Cash conversion %	88%	87%	86%

Net free cash flow increased by \$20.1 million, or 18 per cent, from FY14, and is up \$3.3 million (3 per cent) from IPO forecast, driven by higher EBITDA and positive change in net working capital.

Change in net working capital is \$8.4 million positive to IPO forecast, due to movements in unearned revenue. This was driven by the impact of recent acquisitions and a higher level of prepaid subscriptions than expected.

The majority of capital expenditure spend is R&D, which made up \$20.1 million of \$25.4 million total capex in FY15 (79 per cent), and accounted for \$4.5 million of the \$5.4 million capex growth year on year.



## 2.3 MYOB DEBT LEVELS

Table 11 compares the indebtedness of MYOB as at 31 December 2015 and 31 December 2014. The pro forma for 31 December 2014 has been adjusted to reflect the financial position of MYOB following completion of the IPO.

**Table 11: MYOB indebtedness as at 31 December 2015 compared to pro forma as at 31 December 2014**

A\$M; AS AT 31 DECEMBER	2014	2015
Interest bearing loans and borrowings	434.6	432.7
Cash and cash equivalents	(2.0)	(36.4)
<b>Net indebtedness</b>	<b>432.6</b>	<b>396.3</b>
Pro forma debt ratios:		
Net debt/EBITDA	3.37x	2.59x
Interest coverage (EBITDA/net interest costs)	7.29x	9.12x

The financial covenants contained in the new facility agreement outlined in the IPO Prospectus were tested as at 31 December 2015 and show significant headroom.

## 3. MYOB GROWTH STRATEGY

Key aspects of MYOB's growth strategy include:

- **Growing online market penetration and market share** in the SME market through increasing numbers of paying users, by encouraging adoption of existing online products and releasing new online products;
- **Continuing to invest in product innovation** to ensure MYOB continues to offer a differentiated and competitive product offering;
- **Driving returns on our investment in innovation through higher average revenue per paying user and retention** by delivering market leading online connected services that enable SME/Advisor collaboration and increased prices due to greater product functionality and value delivery;
- **Building an intelligent, intuitive platform to meet the future needs of both SMEs and advisors** to drive the adoption of online solutions by accounting practices and the referral of SME solutions by accounting practices;
- **Delivering market leading online connected services** in areas such as payments, debtor management and small business financing and enabling partners to build out the platform eco-system;
- **Ensuring ongoing success through a highly engaged team** by building a strong results-oriented culture and providing inspiring works spaces that facilitate agile work practices; and
- **Identifying acquisition opportunities** to support organic growth initiatives.

### 3.1 GROWING ONLINE PENETRATION AND MARKET SHARE

Adoption of online accounting software by small to medium businesses is estimated at less than 20 per cent, compared to desktop accounting software penetration of greater than 70 per cent, which has taken 30 years to achieve. Current online penetration levels provide a substantial opportunity for MYOB to grow its online user base in the future.

MYOB has grown its online SME user base by 54,000 in 2015, up 46 per cent from prior year. This has delivered a total SME paying user increase of 40,000 in 2015, up 8 per cent year on year which is a key driver of the increase in SME revenue (see section 1.3.1). Online users now make up 31 per cent of MYOB's SME paying user base.

A significant portion of the 2H15 R&D spend has been focused on the development of the MYOB online platform including online versions of BankLink and Ledger, both of which launch in 2016, which will enhance the product suite and continue to drive online adoption.

### 3.2 CONTINUING TO INVEST IN PRODUCT INNOVATION

MYOB invested 14.2 per cent of revenue on R&D in FY15. New products and features launched in 2015 which have helped drive online adoption include additional features for MYOB PayDirect, MYOB Smart Bills, MYOB PaySuper, and MYOB Advanced, together with the MYOB Portal.

- **MYOB PayDirect** allows MYOB clients to raise invoices and take payments from their customers using a mobile device and all the transaction data is automatically recorded in the MYOB accounting system. In 2015 MYOB introduced a contactless card reader to enable tap and go payments.
- **MYOB Smart Bills** is a time-saving feature that uses OCR (Optical Character Recognition) to capture key data from supplier invoices, which is then automatically loaded into their accounting file. The data is fully integrated into the client workflows enabling easier compliance and cash flow management.
- **MYOB PaySuper** enables MYOB clients to pay and report superannuation from within MYOB's software making it easier for SMEs to meet their employee obligations. MYOB PaySuper was the first product to achieve the ATO's cross-certification for compliance.

- **MYOB Advanced** is an online enterprise resource planning (ERP) solution designed for mid-to-large companies that streamlines customer interaction and equips staff with the tools to operate effectively and productively – wherever they are.
- **MYOB Portal** is a custom-built collaboration tool for the accounting industry that enables accountants and their clients to access, collaborate and approve critical business documents electronically. MYOB Portal frees up time for both accountants and their clients as clients no longer need to come to see their accountant in order to sign documents.

As noted in section 1.3.3, investment was increased in 2H15 (to 15.0 per cent of revenue) with the focus shifting to the MYOB online platform including online versions of BankLink and Ledger.

Continued investment in the MYOB platform will mean investment remains at the upper end of the previously stated 13-16 per cent of revenue range.

### 3.3 DRIVING RETURNS ON OUR INVESTMENT IN INNOVATION THROUGH HIGHER AVERAGE REVENUE PER PAYING USER AND RETENTION

MYOB intends to drive growth in average revenue per paying user and increased retention by providing enhanced product functionality and additional value to clients to enable percentage price increases in line with historical experience (which have been in the mid-single digit percentages).

MYOB has a strong history of providing clients with significant enhancements to functionality to reduce the amount of time a client and their advisors spend in preparing accounts. Over the past few years these enhancements have included the provision of bank feeds, the MYOB Smart Bills service and improved workflows. Continued delivery of innovation will provide additional value to clients and enable price increases.

### 3.4. BUILDING AN INTELLIGENT, INTUITIVE PLATFORM TO MEET FUTURE NEEDS OF BOTH SMES AND ADVISORS

MYOB has embarked upon a strategy to deliver seamless connectivity between the SME, advisors and the broader accounting eco-system through the building of an intelligent, intuitive platform. This creates efficiencies in compliance and transaction processing, and enables growth in advisory services. This strong value proposition to accountants in practice is expected to drive adoption of online practice solutions and encourage referral of MYOB's SME solutions by accountants. The benefits of the platform to accountants include:

- Transaction processing – auto-reconciliation of clients' accounts, real-time access to client data and new revenue opportunities;
- Compliance – reduced requirement for data cleansing, increased collaboration and streamlined statutory reporting; and
- Advisory – enhanced management reporting and planning, specialised third-party online advisory applications and improved business structure and tax planning.

The MYOB Portal, launched in April 2015, is the first step in delivering the platform. MYOB Portal enables collaboration between the accountant and their client through their mobile devices and uses digital signatures, saving both accountant and SME a significant amount of time. Additional tools enhancing these outcomes will be released in 2016.

### 3.5 DELIVERING MARKET LEADING ONLINE CONNECTED SERVICES

MYOB believes that there is a significant opportunity to drive incremental revenue through growing sales of connected services, for example in the areas of:

- invoicing, payments and debtor management: integrated invoicing, payments and debtor management solutions to help SMEs manage cash flows and reduce manual processing;
- data analysis: analysis of aggregated data and provision of advice to clients on ways to improve their business management or recommend add-on products of interest and value (e.g. SME insurance and lending);
- additional services: MYOB believes there are also other opportunities to develop and offer additional services to SMEs that address existing business issues (including reaching new customers or reducing the cost of major categories of expenditure).

As part of this strategy, in 2015 MYOB invested in OnDeck Australia, the local arm of OnDeck (NYSE: ONDK), a small business lender based in the US. As well as a 30 per cent ownership stake, MYOB receives a commission for new loans referred by MYOB.

### 3.6 ENSURING ONGOING SUCCESS THROUGH A HIGHLY ENGAGED TEAM

MYOB team members are encouraged to question and challenge, to be the best that they can be. MYOB's people and culture are critical in delivering market leading technology for clients. This philosophy drives the MYOB employee brand; your work matters.

With over 1,200 employees located in 8 offices across Australia and New Zealand, MYOB is proud to offer employees the opportunity to work in beautiful, award-winning, work spaces facilitating agile work practices, including the new MYOB innovation hub, opening in 1H16 in Richmond, Victoria.

### 3.7 IDENTIFYING ACQUISITION OPPORTUNITIES

MYOB has made a number of strategic acquisitions and investments to support growth initiatives, over its history, based on 3 key criteria.

1. Acquisition of a product or functionality currently not in the MYOB product suite, e.g. BankLink (2013) expanded the product offering into the micro-SME market, as well as delivering industry-leading bank feeds into all MYOB online solutions.
2. Acquisition of technology, IP or a partnership to bring online solutions and connected services to market more quickly, e.g. Dovetail (2014) delivered the foundation for what became the MYOB Portal. The investments in Acumatica (2014), underpinning MYOB Advanced, and Kounta (2014) also fit into this category, as does the investment in OnDeck (2015).
3. Acquisition of an EBITDA accretive business, with a client base that is complementary to MYOB's current base, e.g. PayGlobal (2014), Ace Payroll (2015) and IMS (2015). Like MYOB's existing desktop client base, these clients are showing increasing demand to migrate online, enhancing the growth potential for MYOB's new online solutions.

MYOB continues to review the market for potential targets fulfilling one or more of these criteria.

## 4. 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.

### 4.1 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).

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.

### 4.2 RISK TO SECURITY AND INTEGRITY OF SENSITIVE INFORMATION

MYOB's products involve the storage and transmission of its clients' proprietary information, including personal or identifying information regarding their employees, clients and suppliers, as well as their finance and payroll data.

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.

#### **4.3 DECLINE IN AUSTRALIAN OR NEW ZEALAND GENERAL ECONOMIC AND SECTOR CONDITIONS**

MYOB currently provides software and services to 1.2 million SMEs, 40,000 accountants and 7,000 larger enterprises in Australia and New Zealand who are susceptible to changes in local economic conditions. In addition, the volume of new software users is tied closely to the number of new businesses formations.

MYOB's performance during the GFC, where recurring revenues grew consistently through the period, suggests small business owners and accountants continue to rely on MYOB business management solutions to run their businesses and cash flows during economic downturns, and limits any potential exposure.

#### **4.4 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, has a team who monitor 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.

#### **4.5 ABILITY TO ATTRACT AND RETAIN KEY PERSONNEL**

MYOB's ongoing success depends on its ability to attract and retain 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 an employer of choice (Coolest Companies in Tech), MYOB is also proud to offer employees the opportunity to work in award-winning work spaces which facilitate agile work practices, including the new MYOB innovation hub, opening in 1H16 in Richmond, Victoria.

#### **4.6 INTEGRATION OF ACQUIRED BUSINESSES AND EXECUTION OF NEW ACQUISITIONS**

MYOB maintains a register of potential strategic acquisitions and investment opportunities. Acquisitions and investments have risk around financial value creation. MYOB has successfully acquired and integrated many businesses over the past few years and created value by following a disciplined process. The process includes initial strategic and financial analysis, due diligence and contract execution which MYOB undertakes in conjunction with its accounting and legal partners. 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.

### **5. FY16 OUTLOOK**

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MYOB reaffirms its 12 month June 2016 pro forma Prospectus revenue, EBITDA and NPATA forecasts. It is expected that revenue growth for FY16 will be in line with historical trends, with EBITDA margin in the 45–50 per cent range.

As controlled investment in online solutions continues, it is expected that for FY16 R&D as a percentage of revenue will be in the upper half of the 13 per cent to 16 per cent range.

As noted in the Prospectus, the dividend payout ratio for FY16 is expected to be between 60 -and 80 per cent of NPATA. Dividends are likely to remain unfranked until at least the financial year ending 31 December 2017.





# MY OB

PEOPLE & CULTURE



# People & culture

At MYOB we encourage our team to question and challenge, to be the best that they can be. We understand that our people and culture are critical in delivering market leading technology for our clients. This philosophy drives our employee brand; Your Work Matters.

With over 1,200 employees located in 8 offices across Australia and New Zealand, MYOB is proud to offer our employees the opportunity to work in beautiful, award-winning, work spaces. As an employer of choice (Coolest Companies in Tech) we provide our employees with spaces to work, rest and play – environments that inspire innovation and that facilitate our agile work practices.

In 2015 we announced a new building project in Richmond, Victoria, where we have commenced development of a new Innovation Hub. The Innovation Hub demonstrates our commitment to attracting and retaining top talent, to continuously accelerate innovation and company growth.

## PEOPLE & PERFORMANCE TEAM

The People & Performance team at MYOB exist to create and deliver a culture that engages, empowers and connects our people to drive business success – ours and that of our clients.

We improve business performance by aligning organisational values and goals with those of our

employees, so that together, we can execute on MYOB's strategic and cultural priorities. We do this by developing leadership, learning, development and engagement initiatives including:

- Building our new employment brand "Your Work Matters" as an employer of choice, and as one of Australia awarded "Coolest Companies in Tech" delivering quality talent to the business, with a focus on cultural fit;
- Developing leaders, managers and individuals and offering outstanding opportunities for growth via our award winning Learning Lab and recognition program KUDOS;
- Creating an engaged workforce by measuring and acting on employee feedback via engagement program "Your Voice Matters" as a means of boosting productivity and increasing retention;
- Creating fun and friendly workplaces by nurturing social connection via Purple Awards and Purple Film Fest;
- Offering employee benefits tailored to our employees' needs #MYOBLIFE

These programs continue to drive and deliver a results-oriented and high-engagement culture at MYOB.

## Awards

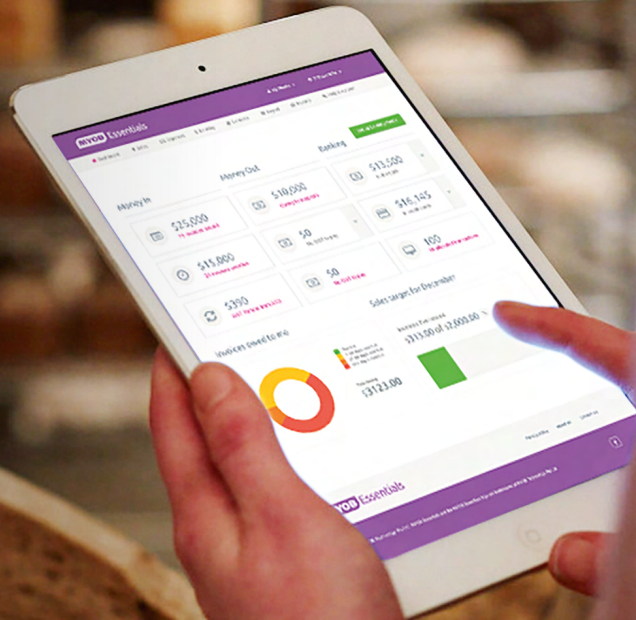
In 2015 MYOB was proud to be awarded Most Innovative Large Company by BRW. We also earned a Canstar Blue four star customer satisfaction rating for small business accounting software. Recognition and awards in 2015 included:





# MYOB

INNOVATION



In 2015 MYOB delivered new products across each of its client divisions; SME, Practice and Enterprise solutions. These innovations demonstrate our commitment to investing and delivering market leading online business solutions.

## MYOB Smart Bills

MYOB Smart Bills was a market-first free addition to our online accounting available to all clients. MYOB Smart Bills uses Optical Character Recognition (OCR) to save SMEs hours of time by reducing data entry and margin for error in processing bills and payments.

MYOB Smart Bills allows users to email, or drag and drop a supplier invoice direct into their accounting software. The OCR automatically scans the invoice and reads the supplier ABN – if the supplier ABN does not exist in your accounts, the system automatically validates it with the ATO and then adds the supplier details into the system. Supplier information such as payment details, ABN and contact information is automatically recorded. This allows future bills from that supplier to be automatically matched and processed.

“

GETTING BILLS EMAILED STRAIGHT IN MEANS THAT OUR DATA ENTRY JUST HAPPENS. EVERYTHING IS JUST THERE, NOTHING IS LOST OR MISFILED.”

MARGARET WHITFIELD, MY SOS

## MYOB Portal

As a first-to-market innovation, MYOB launched MYOB Portal in April 2015. The custom built collaboration tool enables accountants and their clients to access, collaborate and approve critical business documents electronically. The integrated solution works across desktop, tablet and mobile devices and was approved by the Australian Taxation Office, enabling clients to digitally sign and approve financial documents.

Since launch, 1,000 accounting practices have adopted the portal, creating 15,000 client accounts and accessing 40,000 documents. MYOB Portal is the company's fastest growing product and most successful practice solutions launch in our history.

“

WE'VE FREED UP OUR CLIENTS' TIME SO THEY NO LONGER NEED TO COME TO US TO SIGN PAPERS. THE TIME AND COST SAVED FROM PRINTING, SIGNING AND PHYSICALLY POSTING DOCUMENTS HAS BEEN HUGE – THE EFFICIENCIES ARE PHENOMENAL.”

BRENDAN DRUMMOND, SHB BUSINESS

## MYOB PayDirect

In September MYOB announced its popular mobile payments solution MYOB PayDirect accepts tap and go payments with a new contactless card reader. With 60% of Australians using contactless cards for payments, MYOB recognised the need to create a mobile solution that serviced the needs of both small business owners and traders, as well as their customers.

With the new contactless card reader, SMEs can offer customers their preferred payment option, with the new technology offering faster speed of transaction, convenience of payment and security of payment via a reliable and secure network.

“

I HAVE PAYDIRECT ON MY IPHONE 6 AND I LOVE IT! I TAKE ALONG MY PHONE AND CLIENTS PAY DIRECTLY ON THE SPOT. I DON'T HAVE TO WAIT A MONTH TO GET PAID SO THAT HELPS WITH CASH FLOW. IT ALSO MEANS LESS PAPERWORK, NO LOST INVOICES.”

KIRSTY O'CONNOR, KIRSTY'S CAKES AND CATERING

## MYOB Advanced

MYOB brought the benefits of cloud to larger businesses in 2015 with the introduction MYOB Advanced. Designed for mid-to-large companies, this market-leading enterprise resource planning (ERP) solution complements the existing MYOB EXO products.

The MYOB Advanced product offers features that streamline customer interaction whilst equipping staff with the tools they need to operate effectively and productively – wherever they are. From customer-based universal database search, inventory management and pricing management through to productivity tools for employees such as expense management, CRM access and synchronisation of contacts, tasks, appointments and emails.

“

WE ARE EXCITED ABOUT THE NUMBER OF INNOVATIONS AND CAPABILITY BROUGHT BY MYOB'S ENTERPRISE DIVISION WITH THIS NEW CLOUD SOLUTION.”

ROSS GILCHRIST, MANAGING DIRECTOR, INECOM PTY LIMITED



# Board of directors

The MYOB Board is structured so that its membership provides the mix of qualifications, skills and experience to enable it to discharge its responsibilities, and so that its size facilitates effective discussion and efficient decision making. The Board currently comprises six directors, with five non-executive directors (three of which are independent), including the Chair, and one executive director, the CEO.

## Corporate governance statement

MYOB is committed to strong and effective corporate governance practices. Our current Corporate Governance Statement is available in full at [myob.com/CGS15](http://myob.com/CGS15)



### Justin Milne

INDEPENDENT NON-EXECUTIVE DIRECTOR,  
CHAIRMAN

Justin Milne was appointed Chairman of MYOB in 2015. Justin serves on the boards of a number of listed and unlisted companies. He is Chairman and a non-executive director (NED) since March 2012 of Netcomm Wireless, an ASX-listed developer and supplier of communication devices. He is also a NED of the Australian Federal Government telecommunications provider NBN Co, Members' Equity Bank, ASX-listed gaming and entertainment company Tabcorp (since August 2011), and ASX-listed consulting firm SMS Management & Technology (since August 2014). Prior to assuming these roles, Justin held executive positions in the technology sector including Group Managing Director of Telstra's BigPond broadband and media businesses and CEO of OzEmail and the Microsoft Network. Justin holds a Bachelor of Arts from Flinders University and is a Member of the Australian Institute of Company Directors.



### Tim Reed

EXECUTIVE DIRECTOR,  
CHIEF EXECUTIVE OFFICER

Tim Reed joined MYOB in June 2003 and was appointed CEO in 2008 after holding a range of management roles. Throughout his time with MYOB, Tim has overseen the business' growth and its transformation into an online business. He also led the creation of the Enterprise Division in 2007 and the acquisition of BankLink in 2013. Prior to joining MYOB, Tim worked in Silicon Valley within a number of companies in global technology and internet markets. Tim is a Member of the Business Council of Australia and Chair of the Salvation Army's Oasis Advisory Board. Tim holds a Master of Business Administration from Harvard Business School, graduating as Baker Scholar, and a Bachelor of Commerce (Honours) from the University of Melbourne and is a graduate of the Australian Institute of Company Directors.


**Andrew Stevens**

INDEPENDENT NON-EXECUTIVE DIRECTOR


**Anne Ward**

INDEPENDENT NON-EXECUTIVE DIRECTOR


**Craig Boyce**

NON-EXECUTIVE DIRECTOR


**Paul Edgerley**

NON-EXECUTIVE DIRECTOR

Andrew Stevens was appointed non-executive director of MYOB in 2015 and also serves as Chairman of the Audit and Risk Management Committee. Andrew is a director of the Committee for Economic Development of Australia (CEDA) and an Honorary Member of the Business Council of Australia, and was appointed by the Australian Federal Minister for Industry and Science as Chairman of the Advanced Manufacturing Growth Centre. Andrew also serves as NED of the Australian Chamber Orchestra, the Greater Western Sydney Football Club and ASX-listed Thorn Group Limited (since June 2015). Andrew previously served as Managing Director of IBM Australia and New Zealand from 2011 to 2014. Previously, Andrew was Chief Operating Officer of PwC Management Consulting, Asia Pacific. Andrew holds a Master of Commerce, majoring in Marketing, and a Bachelor of Commerce, majoring in Accounting, Finance and Systems. Andrew is a Fellow of Chartered Accountants Australia New Zealand.

Anne Ward was appointed non-executive director of MYOB in 2015 and also serves as Chairman of the Remuneration and Nomination Committee. Anne is currently NED and Chairman of Colonial First State Investments Ltd, NED and Chairman of Avanteos Investments and NED and Chairman of Qantas Superannuation Plan. Other current directorships are NED and Chairman of Colonial Mutual Superannuation Pty Ltd, Chairman of Zoological Parks and Gardens Board of Victoria, RMIT University Council Member and some private companies. Anne previously served as NED of Flexigroup Ltd between January 2013 and August 2015, General Counsel (Australia and Asia) for National Australia Bank, and was a partner at Minter Ellison Lawyers and Herbert Geer. Anne's achievements were recognised in 2013 when she was named as one of Australia's 100 Women of Influence by Westpac and the Australian Financial Review. Anne holds a Bachelor of Laws and a Bachelor of Arts from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.

Craig Boyce is a Senior Adviser to Bain Capital and has been a non-executive director of MYOB since its acquisition by Bain Capital in 2011. On behalf of Bain Capital, Craig currently serves as a non-executive director at Retail Zoo, the parent company of Boost Juice Bars, Salsa's Fresh Mex restaurants and CIBO Espresso cafés. Previously Craig served as a director on the board of FLEETCOR, a leading global provider of fleet cards and specialty payments to businesses. Craig has been involved in a number of key investments by funds advised by Bain Capital including IP-based video surveillance provider Uniview, after-school English language programme provider RISE, educational publisher Houghton Mifflin, online business directory SuperPages Canada and infrastructure provider for China's financial services market ChinaPnR. Prior to joining Bain Capital in 1998 Craig spent two years at Bain & Company. He holds an MBA from Harvard Business School, a Master of Science in Chemical Engineering from Massachusetts Institute of Technology and a Bachelor of Science in Engineering magna cum laude from Princeton University.

Paul Edgerley is a Senior Adviser to Bain Capital and has been a non-executive director of MYOB since 2013. Paul currently serves as a NED and Chairman of the Board of NYSE-listed sensor and controls manufacturer Sensata Technologies.

On behalf of Bain Capital, Paul serves as NED of dual-listed (Bombay Stock Exchange and National Stock Exchange of India) motorcycle manufacturer Hero MotoCorp, hand and power tool supplier Apex Tool Group, automotive supplier TI Automotive and hydraulic clutch actuation systems provider FTE Automotive. Prior to joining Bain Capital in 1988, Paul spent five years at Bain & Company, where he worked as a consultant and manager in the information services, healthcare, retail and automobile industries. Paul holds a Master of Business Administration, with Distinction, from Harvard Business School and a Bachelor of Science from Kansas State University.

# Directors' report

The directors present their report on the consolidated entity consisting of MYOB Group Limited ("Parent") and the entities it controlled at the end of, or during, the period ended 31 December 2015 (FY15). Throughout the report, the consolidated entity is referred to as "the Group".

MYOB Group Limited is a public company limited by shares, incorporated on 7 September 2011. It converted to a public company on 17 March 2015 and listed on the Australian Stock Exchange (ASX) on 4 May 2015.

The financial statements have been reviewed and approved by the directors on the recommendation of the Group's audit and risk management committee.

The directors have the power to amend and reissue the financial statements.

## DIRECTORS AND COMPANY SECRETARY

The following persons were directors of the Group during the whole of FY15 and up to the date of this report:

Craig Boyce  
Paul Edgerley  
Tim Reed (CEO)

Justin Milne, Andrew Stevens and Anne Ward were appointed directors on 31 March 2015 and continue in office at the date of this report.

Richard Moore and Neil Kalvelage were directors from the beginning of the financial year until their resignations on 13 March 2015.

Directors' meetings and directors' attendance at those meetings for FY15 (including meetings of the committees of directors) are disclosed on [page 30](#). The qualifications and experience of directors, including current and recent directorships, are detailed on [pages 26](#) to 27.

## Company Secretary

The company secretary is Ian Boylan. Ian joined the Group in June 2006 as Corporate Counsel and has held the positions of General Counsel and Company Secretary since January 2011. Prior to joining the Group, Ian was a legal counsel at IAG. Ian is a solicitor and was admitted to practice whilst working for Eversheds LLP in England. He was admitted to practice in Australia whilst working for Minter Ellison in Melbourne. Ian has a Bachelor of Laws (Honours) from Nottingham Trent University, England.

## PRINCIPAL ACTIVITIES

During the year the principle activities of the Group consisted of:

- development and publishing of software; and
- provision of services for small to medium enterprises, including accountants in public practice.

There were no significant changes in the nature of activities of the Group during the year.

## DIVIDENDS

There were no dividends paid to members during FY15.

Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of \$29.2 million (5.0 cents per fully paid Ordinary share) to be paid on 5 April 2016 out of the undistributed profit reserve.

## REVIEW OF OPERATIONS

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the operational and financial review on [pages 12](#) to 21.



## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during FY15 were as follows:

On 20 February 2015 the Board approved a selective buyback of Redeemable preference shares (RPS) to the value of \$203 million out of refinancing completed during the 2014 year. Based on that approval, the 2014 accounts reflected a current RPS advance receivable and an offsetting current RPS liability. The RPS accrued interest annually, and the principal and interest was redeemable at the earlier of a change of control or 10 years from September 2011.

The Group's Initial Public Offering resulted in the settlement of the RPS as well as the subordinated notes and loan notes.

On 15 April 2015, MYOB Acquisition Pty Limited, a member of the Group, purchased 9,000 Preference shares in OnDeck Capital Australia Pty Ltd for \$6 million. This was 30% of Preference shares (all shares) on issue.

On 4 May 2015, the Parent listed on the Australian Stock Exchange (ASX). As part of the Initial Public Offering, the Parent made a repayment of loan notes of \$292.5 million (including \$55 million break fee). At the completion of the Initial Public Offering, 230 million additional shares were issued. During the Initial Public Offering 48,111,176 Management "A" shares were converted to 3,547,710 Ordinary shares and 21,286,246 Performance shares, and all non-recourse loans were settled.

On 31 May 2015 MYOB Finance NZ Limited, a member of the Group, acquired 100% of the shares in Ace Payroll Plus Limited (ACE) for NZD\$14.019 million. ACE has a 100% subsidiary, ACE Payroll Intermediary Limited (API). This company is not trading and was registered to act as a PAYE intermediary.

On 30 September 2015 MYOB Finance NZ Limited, acquired 100% of the shares in Information Management Services Limited (IMS) for NZD\$9.997 million. IMS does not have any subsidiaries.

There were no other significant changes in the state of affairs of the Group during FY15.

## EVENTS SUBSEQUENT TO BALANCE DATE

On 24 February 2016, the Directors declared an unfranked dividend of 5.0 cents per ordinary share to be paid on 5 April 2016 to shareholders registered at record date 10 March 2016.

No further matters or circumstances have arisen since 31 December 2015 that have significantly affected, or may significantly affect, the:

- Group's operations in future financial years;
- results of those operations in future financial years; or
- Group's state of affairs in future financial years.

## LIKELY DEVELOPMENTS

For information about likely developments in the operations of the Group, refer to the MYOB growth strategy for future financial years' section in the operational and financial review on [pages 12](#) to 21.

## ENVIRONMENTAL REGULATION

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

## INFORMATION ON DIRECTORS

Biographies of the Board of directors can be found on [pages 26](#) to 27, including current and previous directorships. Shareholdings of directors can be found on [page 36](#).

## NAME

## SPECIAL RESPONSIBILITIES

### Non-executive and executive directors

Justin Milne	Chair of the Board Member of the Audit and Risk Management Committee
Andrew Stevens	Chair of the Audit and Risk Management Committee Member of the Remuneration and Nomination Committee
Anne Ward	Chair of the Remuneration and Nomination Committee
Craig Boyce	Member of the Audit and Risk Management Committee
Paul Edgerley	Member of the Remuneration and Nomination Committee
Tim Reed	Chief Executive Officer

## DIRECTOR ATTENDANCE AT MEETINGS

Details of director attendance at meetings up to 31 December 2015, in their capacity as director, and committee meetings to which they are eligible, are set out below:

	FULL MEETINGS OF DIRECTORS		MEETINGS OF COMMITTEES			
	ATTENDED	ELIGIBLE	AUDIT & RISK MANAGEMENT		REMUNERATION & NOMINATION	
			ATTENDED	ELIGIBLE	ATTENDED	ELIGIBLE
Justin Milne (appointed 31/03/2015)	8	8	3	2	2	– <sup>1</sup>
Andrew Stevens (appointed 31/03/2015)	8	8	3	2	3	3
Anne Ward (appointed 31/03/2015)	8	8	1	– <sup>1</sup>	3	3
Craig Boyce	13	13	3	3	2	– <sup>1</sup>
Paul Edgerley	8	13	2	– <sup>1</sup>	3	3
Tim Reed	13	13	3	– <sup>1</sup>	3	– <sup>1</sup>
Neil Kalvelage (resigned 13/03/2015)	2	2	1	1	–	– <sup>1</sup>
Richard Moore (resigned 13/03/2015)	2	2	1	1	–	– <sup>1</sup>

<sup>1</sup> Not a member of the relevant committee.

## ADVISORS

The remuneration and nomination committee operates independently of the Group's management and directly engages remuneration advisors.

During FY15 the committee did not make any payments directly to advisors.

# Remuneration report

This report outlines the remuneration framework and the outcomes for the period ended 31 December 2015 (FY15) for the Group, the CEO and the senior executives who were the “key management personnel” (KMP) in FY15. It also explains the changes to the executive remuneration framework effective from 1 May 2015.

The report has been prepared in accordance with the requirements of section 300A of the *Corporations Act 2001*.

## KEY MANAGEMENT PERSONNEL COVERED IN THIS REPORT

Biographies of KMP can be found on [pages 8](#) to 9 of the annual report.

NAME	POSITION
<b>Non-executive and executive directors</b> <sup>1</sup>	
Justin Milne	Independent Non-Executive Director, Chairman
Andrew Stevens	Independent Non-Executive Director
Anne Ward	Independent Non-Executive Director
Craig Boyce	Non-Executive Director
Paul Edgerley	Non-Executive Director
Tim Reed	Executive Director, Chief Executive Officer
<b>Key management personnel</b>	
Richard Moore <sup>2</sup>	Chief Financial Officer
James Scollay	General Manager, SME Solutions
Andrew Birch	General Manager, Industry Solutions
Adam Ferguson	General Manager, Engineering & Experience
John Moss	Chief Strategy Officer

<sup>1</sup> Neil Kalvelage was excluded from this table as he resigned on 13/03/2015.

<sup>2</sup> Richard Moore resigned as director on 13/03/2015, continuing to hold the CFO position.

There have been no changes to KMP since the end of the reporting period.

## REMUNERATION POLICY AND LINK TO PERFORMANCE

The remuneration and nomination committee is made up of non-executive directors with the majority being independent. The committee reviews and determines the Group's remuneration policy and structure annually to ensure it remains aligned to business needs, and meets remuneration principles.

In determining executive remuneration, the Board aims to ensure that remunerations practices are:

- competitive and reasonable, enabling the Group to attract and retain key talent;
- aligned to the Group's strategies, business objectives and the creation of enterprise value;
- transparent and easily understood; and
- acceptable to shareholders.



In April 2015 there was a review of the executive remuneration framework. The objectives of the review were to:

- align incentive arrangements with the Group's long-term strategy;
- provide incentive arrangements that are valued by and motivate executives;
- establish incentive arrangements that promote effective risk management and market integrity; and
- provide consistency of treatment across the executive team.

A new executive remuneration framework was put in place on 1 May 2015.

The executive remuneration framework has three components:

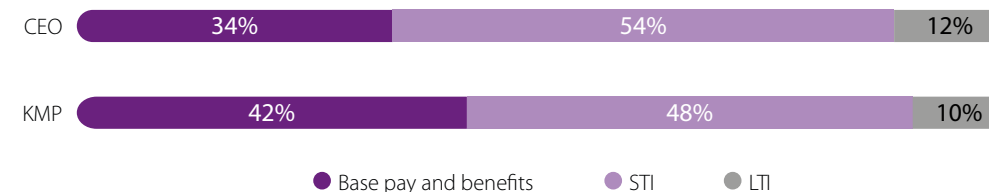
ELEMENT	PURPOSE	PERFORMANCE METRICS	POTENTIAL VALUE	CHANGES FOR 2015
<b>Fixed remuneration (FR)</b>	Provide competitive market salary including superannuation and non-monetary benefits	Nil	Positioned at median market rate	Review in line with market positioning
<b>Short-term incentive (STI)</b>	Provide short-term, cash based incentives for executives and key employees to achieve operational targets, aligned to in-year group and segment financial performance	<ul style="list-style-type: none"> <li>• Group revenue and EBITDA</li> <li>• Segment revenue and contributions</li> </ul>	<p>CEO: 75% of FR on target, in addition to a one-off Initial Public Offering bonus in 2015</p> <p>Execs: 30-50% of FR on target, in addition to a one-off Initial Public Offering bonus in 2015</p>	<p>Increase of operational target percentage payouts, aligned to group and segment financial performance on listing</p> <p>Includes a one-off bonus upon successful completion of the Initial Public Offering</p>
<b>Performance shares (LTI)</b>	Provide long-term incentives for executives, and key employees, to deliver long-term shareholder returns	By invitation of the Board	Dependant on share price hurdle set at 30/9/16 and 30/9/17	Management "A" shares were converted to Ordinary shares & Performance shares and all non-recourse loans were settled

The executive remuneration framework applies to the CEO, KMP and general managers.

### Balancing short-term and long-term performance

In accordance with the Group's objective to ensure that executive remuneration is aligned to company performance, a significant portion of the executives' target pay is "at risk". The following chart sets out the executives' target remuneration mix:

2015



2014



The relative weighting of fixed and variable components (remuneration mix) will vary with role level, complexity and market practice. The remuneration mix is expressed as a percentage which equates to 100%.

### Assessment of performance

The remuneration and nomination committee is responsible for assessing performance against key performance indicators (KPI's) and determining STI and LTI to be paid.

### Elements of remuneration

#### Fixed annual remuneration (FR)

KMP receive their base pay and benefits structured as a total employment cost (TEC) package. This is set to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market.

There is no guaranteed base pay increase included in the KMP's contracts. KMP do not receive any additional benefits.

#### Superannuation

Superannuation contributions on behalf of KMP are made at the local statutory rate.

#### Short-term incentive (STI)

KMP have the opportunity to earn an annual short-term incentive (STI) if predefined targets are achieved. The CEO has a maximum STI opportunity of 187.5% (2014: 125%) of TEC and KMP have a maximum STI opportunity of between 75% and 125% (2014: 62.5% and 112.5%) of TEC.

The STI program links achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the KMP to achieve the operational targets and such that the cost to the Group is reasonable in light of market practice and total remuneration.

Actual STI payments to KMP depend on the extent to which specific operating targets set at the beginning of the period are met. The operational targets consist of a number of key performance indicators covering financial measures of performance. Typically included are measures of company profit result (earnings before interest, tax, depreciation and amortisation) only, or a combination of company profit result and segment performance. The Group has predetermined benchmarks which must be met in order to trigger payments under the STI program.

In 2015 KMP were paid a one-off bonus related to the successful Initial Public Offering.

#### Performance shares (LTI)

The management share based payment scheme was designed to provide incentives for KMP to deliver long-term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the scheme or to receive any guaranteed benefits.

Prior to 1 May 2015, long-term incentives were provided to KMP (and certain employees) via a management share based payment scheme. These shares did not carry voting rights but allowed holders to participate in a distribution upon an exit by the majority owners (Bain Capital) or a triggering event, subject to performance and service conditions.

All 48,111,776 Management "A" shares on issue were consolidated and converted to 3,547,710 Ordinary shares and 21,286,246 Performance shares on 1 May 2015. All KMP held an allotment of Management "A" shares.

Performance shares may convert into Ordinary shares depending on the share price of Ordinary shares on a relevant testing date (relevant testing dates being 30 September 2016 and 30 September 2017).

Performance shares confer on the holder the right to receive notices of general meetings and financial reports and accounts of the Group that are circulated to shareholders and to attend general meetings, but do not entitle the holder to vote on any resolutions proposed at a general meeting.

The Performance shares do not entitle the holder to any dividends or any returns on a reduction of capital and upon winding up of the Group. The Performance shares may not participate in the surplus profits or assets of the Group.

The Performance shares are not transferable other than to family members or family investment entities and are not quoted on ASX.

#### Long-Term Incentive Plan (LTIP)

The Group is currently reviewing its long-term incentive arrangements for senior management and certain employees. The Group intends to disclose these arrangements at the forthcoming AGM, and proposes to make annual grants under the LTIP commencing in January 2017.

### Link between remuneration and performance

The components of variable remuneration are STI and Performance shares. The group and segment performance has a direct impact on the percentage of STI achievable. The company share price has a direct impact on the value of Performance shares achievable upon conversion.

#### Statutory performance indicators

The Group aligns KMP remuneration to the achievement of strategic and business objectives and the creation of shareholder wealth.

## Remuneration expenses for KMP

The following table show details of the remuneration expense recognised for the Group's executive KMP for the current and previous financial years measured in accordance with the requirements of the accounting standards.

NAME	YEAR	FIXED REMUNERATION				VARIABLE REMUNERATION			TOTAL
		CASH SALARY	NON MONETARY BENEFITS	LONG SERVICE LEAVE	POST EMPLOYMENT BENEFITS <sup>2</sup>	ONGOING CASH BONUS	ONE-OFF CASH BONUS <sup>3</sup>	RIGHTS TO DEFERRED SHARES	
Executive directors									
Tim Reed	2015	705,925	–	67,457	30,000	442,606	825,000	270,400	2,341,388
	2014	579,582	–	11,136	27,500	306,149	–	270,400	1,194,767
Key management personnel									
Richard Moore	2015	410,642	–	12,089	30,000	170,977	550,000	150,800	1,324,508
	2014	393,947	–	2,013	27,498	148,773	–	62,400	634,631
James Scollay	2015	350,565	–	11,042	33,304	134,271	275,000	101,400	905,582
	2014	321,100	–	1,677	30,103	158,995	–	104,000	615,875
Andrew Birch	2015	341,281	–	34,339	32,422	181,204	275,000	99,840	964,086
	2014	310,750	–	18,279	29,123	115,983	–	55,640	529,775
Adam Ferguson <sup>1</sup>	2015	341,281	–	53,360	49,422	152,683	258,000	101,660	956,406
	2014	333,078	54,001	10,428	–	114,256	–	70,720	582,483
John Moss	2015	294,119	–	12,238	30,941	76,924	272,000	51,740	737,962
	2014	288,750	–	15,633	27,070	79,633	–	38,480	449,566
Total executive director and KMP	2015	2,443,813	–	190,525	206,089	1,158,665	2,455,000	775,840	7,229,932
	2014	2,227,207	54,001	59,166	141,294	923,789	–	601,640	4,007,097
Total NED remuneration (see below table)	2015	614,226	–	–	43,523	–	–	–	657,749
	2014	100,000	–	–	–	–	–	–	100,000
Total KMP remuneration expensed	2015	3,058,039	–	190,525	249,612	1,158,665	2,455,000	775,840	7,887,681
	2014	2,327,207	54,001	59,166	141,294	923,789	–	601,640	4,107,097

1 Non-monetary benefits in the form of relocation expenses of \$54,001 had been paid in the 2014 year.

2 Post-employment benefits are represented by superannuation contributions earned.

3 Includes one off bonus related to the Initial Public Offering, paid during 2015.



### Executive service agreements

All service agreements for KMP are unlimited in term but may be terminated by written notice from either party or by the employing entity within the Group making a payment in lieu of notice. The service agreements outline the components of the remuneration paid to KMP and require the remuneration of KMP to be reviewed annually. The service agreements do not require the Group to increase base salary, pay a short-term incentive, make termination payments or offer a long-term incentive in any given year.

In the event of retrenchment, the KMP listed in the table below are entitled to the written notice or payment in lieu of notice provided in their service agreement, as well as severance payments in line with policy. The employment of the KMP may be terminated without notice or payment in lieu of notice in some circumstances. Generally, this could occur where the KMP:

- is in neglect of their duty;
- breaches a provision of their employment agreement;
- is guilty of serious and wilful misconduct, dishonesty or fraud; or
- unreasonably fails to comply with any material and lawful direction given by the Group.

All KMP are required to agree to a restraint of trade clause post-employment, of a maximum of 24 months following the expiry of the notice period, to ensure that valuable knowledge and experience is not accessed by competitors through poaching employees.

All KMP are entitled to STI payments based on performance against key performance indicators.

The table below sets out the key employment terms for KMP:

NAME OF EXECUTIVE	TERM OF AGREEMENT	NOTICE PERIOD	
		COMPANY	EMPLOYEE
Executive director			
Tim Reed	On-going	6 months	6 months
Key management personnel			
Richard Moore	On-going	6 months	6 months
James Scollay	On-going	6 months	6 months
Andrew Birch	On-going	6 months	6 months
Adam Ferguson	On-going	6 months	6 months
John Moss	On-going	6 months	6 months

### Non-executive directors arrangements

Non-executive directors receive a board fee and fees for chairing or participating on board committees. They do not receive performance-based pay or retirement allowances. The fees are inclusive of superannuation (to the extent applicable).

The annual aggregate directors' fee pool is fixed by the Group at \$2,000,000, with effect from 1 April 2015.

	FROM 1 APRIL 2015
<b>Base fees</b>	
Chair	275,000
Other non-executive directors	125,000
<b>Additional fees</b>	
Audit and Risk Management committee – Chair	25,000
Audit and Risk Management committee – Member	15,000
Remuneration and Nomination committee – Chair	22,000
Remuneration and Nomination committee – Member	12,500

### Non-executive director remuneration

NAME	YEAR	BASE FEE	AUDIT & RISK MANAGEMENT COMMITTEE	REMUNER- ATION AND NOMINATION COMMITTEE	SUPER- ANNUATION	TOTAL
<b>Non-executive directors</b>						
Justin Milne	2015	188,356	10,274	–	18,870	217,500
	2014	–	–	–	–	–
Andrew Stevens	2015	85,616	17,123	8,562	10,574	121,875
	2014	–	–	–	–	–
Anne Ward	2015	85,616	–	15,068	9,565	110,249
	2014	–	–	–	–	–
Craig Boyce <sup>2</sup>	2015	92,449	10,274	–	2,277	105,000
	2014	25,000	–	–	–	25,000
Paul Edgerley <sup>2</sup>	2015	92,326	–	8,562	2,237	103,125
	2014	25,000	–	–	–	25,000
Neil Kalvelage <sup>1,2</sup>	2015	–	–	–	–	–
	2014	25,000	–	–	–	25,000
Serge Sarkis <sup>2,3</sup>	2015	–	–	–	–	–
	2014	25,000	–	–	–	25,000
<b>Total NED remuneration</b>	2015	<b>544,363</b>	<b>37,671</b>	<b>32,192</b>	<b>43,523</b>	<b>657,749</b>
	2014	100,000	–	–	–	100,000

1 Neil Kalvelage resigned as a director on 13/3/2015.

2 In 2014, as directors did not directly receive performance-based pay, an indicative value was estimated for the purposes of the accounts based on the proportion of the management fee paid to Bain Capital that would have potentially related to these services.

3 Serge Sarkis resigned as a director on 31/12/2014.

In 2015, prior to the Group's Initial Public Offering, no directors fees were paid.

## Additional statutory information

### Relative proportions of fixed vs variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense:

NAME	FIXED REMUNERATION 2015 %	AT RISK – STI 2015 %	AT RISK – LTI <sup>1</sup> 2015 %
<b>Executive directors of MYOB Group Limited</b>			
Tim Reed	34	54	12
<b>KMP</b>			
Richard Moore	35	54	11
James Scollay	44	45	11
Andrew Birch	42	47	11
Adam Ferguson	46	43	11
John Moss	46	47	7

1 Since the long-term incentives are provided by way of share based payments, which allow holders to participate in a distribution upon an exit by the majority controlling entity (a foreign resident – Bain Capital Abacus Holdings LP) or a triggering event, the percentages disclosed reflect the value expensed during the year.

### Performance based remuneration granted & forfeited during the year

The below table shows for each KMP the cash value of their STI payment for FY15 and the proportion of their total potential STI payment which was awarded and forfeited. It also shows the number of Performance shares that were granted, exercised and forfeited during FY15.

NAME	TOTAL STI BONUS (CASH)			TOTAL LTI (PERFORMANCE SHARES)		
	CASH \$	AWARDED % <sup>1</sup>	FORFEITED %	ISSUED	EXERCISED	FORFEITED
Tim Reed	600,000	74	26	5,534,425	–	–
Richard Moore	225,000	76	24	1,702,900	–	–
James Scollay	200,000	67	33	1,383,606	–	–
Andrew Birch	200,000	91	9	1,351,677	–	–
Adam Ferguson	200,000	76	24	1,596,469	–	–
John Moss	97,500	79	21	851,450	–	–

1 Rounded to the nearest whole value.

## Shareholdings

The below table shows movements in (a) the relevant interests (direct and indirect) of each director in Ordinary shares; and (b) the Ordinary and Redeemable preference shareholdings of KMP during the period ending December 2015.

2015 NAME	BALANCE AT START OF THE YEAR	RECEIVED ON VESTING OF RIGHTS TO DEFERRED SHARES	OTHER MOVEMENTS DURING THE YEAR	BALANCE AT THE END OF THE YEAR
<b>Ordinary shares</b>				
Justin Milne	–	–	65,095	65,095
Andrew Stevens	–	–	41,095	41,095
Anne Ward	–	–	27,397	27,397
Craig Boyce	–	–	–	–
Paul Edgerley	–	–	–	–
Tim Reed	6,452,895	922,404	(600,000)	6,775,299
Richard Moore	184,368	283,817	(50,000)	418,185
James Scollay	276,552	230,601	(52,600)	454,553
Andrew Birch	1,106,211	225,279	(133,149)	1,198,341
Adam Ferguson	1,766,864	266,078	–	2,032,942
John Moss	768,202	141,908	(151,988)	758,122
<b>Redeemable Preference Shares</b>				
Tim Reed	1,685,258	(1,685,258)	–	–
Richard Moore	34,874	(34,874)	–	–
James Scollay	58,501	(58,501)	–	–
Andrew Birch	288,901	(288,901)	–	–
Adam Ferguson	461,440	(461,440)	–	–
John Moss	200,626	(200,626)	–	–

### Loans given to key management personnel

There are no loans to key management personnel of the Group at the date of this report.

### Other transactions with key management personnel

All KMP, with the exception of the non-executive directors, held Redeemable preference shares. The Redeemable preference shares were settled at the Group's Initial Public Offering. The settlement included \$1.642 million of interest on their holdings.

### Advice from external remuneration consultants

In April 2015, the Board engaged PricewaterhouseCoopers (PwC) to review its existing remuneration policies and provide advice on executive short-term and long-term incentive design. PwC was paid \$28,560 for these services.

## INSURANCE OF OFFICERS AND INDEMNITIES

### Indemnification and insurance of officers

To the extent permitted by law, the company has indemnified each director and officer against liability arising from their role as directors and officers, by paying premiums on an insurance contract. This insurance contract prohibits disclosure of the premium paid.

### Indemnity of auditors

The Group does not indemnify the auditors.

### Proceedings on behalf of the company

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

## NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor, PwC, for audit and non-audit services are provided in [note 19](#) of the annual report.

## DIRECTORS' DECLARATION OF SATISFACTION WITH INDEPENDENCE OF AUDITOR

The Audit and Risk Management Committee has considered the position and, in accordance with advice received from the Board, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Committee is satisfied that the provision of non-audit services by the auditor, as provided in [note 19](#), did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services had been reviewed by the Committee to ensure they do not impact the impartiality 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 on [page 38](#).

## ROUNDING OF AMOUNTS

The Group is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998. In accordance with that class order, amounts in the financial statements and the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



**Justin Milne**

Chairman



**Tim Reed**

Executive director and Chief Executive Officer

Sydney, 25 February 2016



# Auditor's Independence Declaration



As lead auditor for the audit of MYOB Group Limited for the year ended 31 December 2015, 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.



**Chris Dodd**

Partner  
PricewaterhouseCoopers

Melbourne  
25 February 2016



# Contents

## STREAMLINED FINANCIAL STATEMENTS

This year, the Group's financial statements have been presented in a more streamlined manner by changing the format and layout to simplify the information disclosed and make it more relevant to users. The notes have been grouped into similar sections and key accounting policies, along with key estimates and judgements, have been moved into the notes to which they relate.

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# Consolidated statement of comprehensive income

FOR THE PERIOD ENDED  
31 DECEMBER 2015

	NOTE	2015 \$'000	2014 \$'000
Revenue	4	327,777	287,225
Staff related expenses		(112,678)	(94,080)
General office/administration		(28,105)	(27,008)
Direct materials		(12,140)	(10,409)
Royalties		(2,600)	(2,544)
Reseller commissions		(8,748)	(7,605)
Marketing expenses		(9,404)	(7,110)
Other expenses	5	(29,881)	(27,891)
Depreciation and amortisation expenses		(71,020)	(70,973)
Net finance costs		(120,288)	(138,309)
<b>(Loss) from operations before income tax</b>		<b>(67,087)</b>	<b>(98,704)</b>
Income tax benefit	6	24,830	27,129
<b>(Loss) from operations after income tax attributable to owners of MYOB Group Limited</b>		<b>(42,257)</b>	<b>(71,575)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be classified to profit or (loss):</i>			
Foreign currency translation		(690)	(484)
Change in fair value of cash flow hedges		532	1,457
<b>Other comprehensive (loss)/income for the period, net of tax</b>		<b>(158)</b>	<b>973</b>
<b>Total comprehensive (loss) for the period attributable to owners of MYOB Group Limited</b>		<b>(42,415)</b>	<b>(70,602)</b>
		<b>CENTS</b>	<b>CENTS</b>
<b>Earnings per share for (loss) attributable to ordinary equity holders of MYOB Group Limited</b>			
Basic earnings per share	20	(8.38)	(20.19)
Diluted earnings per share	20	(8.38)	(20.19)

The above consolidated statement of comprehensive income should be read in conjunction with accompanying notes.





# Consolidated balance sheet

AS AT 31 DECEMBER 2015

	NOTE	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		36,384	5,044
Trade and other receivables	9	12,719	12,143
Inventories		536	842
Other current assets	10	13,177	213,533
Current tax receivables		1,409	2,175
<b>Total current assets</b>		<b>64,225</b>	<b>233,737</b>
<b>Non-current Assets</b>			
Property, plant and equipment		15,176	15,662
Intangible assets & goodwill	7	1,218,990	1,239,248
Deferred tax assets	6	62,525	31,590
Investments	22	18,525	10,525
<b>Total non-current assets</b>		<b>1,315,216</b>	<b>1,297,025</b>
<b>Total Assets</b>		<b>1,379,441</b>	<b>1,530,762</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		25,487	23,843
Interest-bearing loans and borrowings	11	–	223,937
Unearned revenue		42,944	40,125
Provisions		10,092	9,311
Derivative financial instruments		–	762
<b>Total current liabilities</b>		<b>78,523</b>	<b>297,978</b>
<b>Non-current Liabilities</b>			
Interest-bearing loans and borrowings	11	432,711	1,130,996
Provisions		4,930	4,716
<b>Total non-current liabilities</b>		<b>437,641</b>	<b>1,135,712</b>
<b>Total Liabilities</b>		<b>516,164</b>	<b>1,433,690</b>
<b>Net Assets</b>		<b>863,277</b>	<b>97,072</b>
<b>EQUITY</b>			
Contributed equity	13	1,138,097	330,928
Retained earnings		(415,620)	(243,374)
Reserves		140,800	9,518
<b>Total Equity</b>		<b>863,277</b>	<b>97,072</b>

The above consolidated balance sheet should be read in conjunction with accompanying notes.

# Consolidated statement of changes in equity

FOR THE PERIOD ENDED  
31 DECEMBER 2015

	NOTE	ISSUED CAPITAL \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	CASH FLOW HEDGE RESERVE \$'000	MANAGEMENT SHARES RESERVE \$'000	UNDISTRIBUTED PROFIT RESERVE \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
At 1 January 2015		330,928	6,906	(532)	3,144	–	(243,374)	97,072
(Loss) for the period		–	–	–	–	–	(42,257)	(42,257)
Other comprehensive income/(loss) (net of tax)		–	(690)	532	–	–	–	(158)
<b>Total comprehensive income/(loss) for the period</b>		–	(690)	532	–	–	(42,257)	(42,415)
<b>Transactions with owners in their capacity as owners:</b>								
Profit reserve		–	–	–	–	130,000	(130,000)	–
Management share scheme		–	–	–	1,440	–	–	1,440
Issue of share capital		828,340	–	–	–	–	–	828,340
Initial Public Offering costs (net of tax)		(21,171)	–	–	–	–	–	(21,171)
Other		–	–	–	–	–	11	11
<b>At 31 December 2015</b>	<b>13</b>	<b>1,138,097</b>	<b>6,216</b>	<b>–</b>	<b>4,584</b>	<b>130,000</b>	<b>(415,620)</b>	<b>863,277</b>
At 1 January 2014		354,072	7,390	(1,989)	2,072	–	(171,799)	189,746
(Loss) for the period		–	–	–	–	–	(71,575)	(71,575)
Other comprehensive income/(loss) (net of tax)		–	(484)	1,457	–	–	–	973
<b>Total comprehensive income/(loss) for the period</b>		–	(484)	1,457	–	–	(71,575)	(70,602)
<b>Transactions with owners in their capacity as owners:</b>								
Management share scheme		–	–	–	1,072	–	–	1,072
Issue of share capital		822	–	–	–	–	–	822
Shares bought-back		(123)	–	–	–	–	–	(123)
Return of capital		(23,843)	–	–	–	–	–	(23,843)
<b>At 31 December 2014</b>	<b>13</b>	<b>330,928</b>	<b>6,906</b>	<b>(532)</b>	<b>3,144</b>	<b>–</b>	<b>(243,374)</b>	<b>97,072</b>

## 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. It is also used to record gains and losses on net investments in foreign operations.

## Cash flow hedge reserve

The cash flow hedge reserve is used to record the impact of movement in interests rates on the hedging derivative.

## Management shares reserve

This is the share based payment expense in relation to the Management "A" share/Performance share scheme. The expense is being recognised on a pro-rata basis over the expected vesting period. The arrangement is treated as an equity settled expense.

## Undistributed profit reserve

This reserve is quarantined profits from current year profits of relevant entities of the Group to support future Group dividend payments.

The above consolidated statement of changes in equity should be read in conjunction with accompanying notes.

# Consolidated statement of cash flows

FOR THE PERIOD ENDED  
31 DECEMBER 2015

	NOTE	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from clients		362,211	314,322
Payments to suppliers and employees		(213,879)	(201,790)
Finance cost – secured bank loans/subordinated notes	11	(31,300)	(52,038)
Income tax (paid)		–	(3,263)
Interest received		284	1,132
Initial Public Offering costs (expensed)	5	(19,456)	–
<b>Net cash flows from operating activities</b>		<b>97,860</b>	<b>58,363</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(4,421)	(5,067)
Capitalised new product development		(13,822)	(7,115)
Capitalised core systems development		(6,238)	(5,201)
Proceeds from sale of motor vehicles		–	61
Cash included in net assets acquired	8	1,470	3,636
Purchased intangible assets	7	(1,100)	(1,231)
Acquisition of PayGlobal		–	(13,746)
Acquisition of BankLink (final payments)		(250)	(522)
Acquisition of ACE	8	(13,160)	–
Acquisition of IMS	8	(9,084)	–
Investment in Kounta	22	(2,000)	(2,315)
Investment in Acumatica	22	–	(8,210)
Investment in OnDeck	22	(6,000)	–
<b>Net cash flows used in investing activities</b>		<b>(54,605)</b>	<b>(39,710)</b>
<b>Cash flows from financing activities</b>			
Proceeds of shares issued		828,062	822
Shares bought back		–	(123)
Repayment of borrowings		(1,048,176)	(25,703)
Settlement of (including Interest) RPS/loan notes		(193,413)	–
Redeemable preference shares issued		–	438
Proceeds from borrowings		435,485	170,689
Capital return		(1,404)	(1,093)
Loan to shareholders (RPS advance)		–	(201,598)
Debt transaction costs		(2,135)	(9,283)
Initial Public Offering costs (directly attributable to equity) pre tax		(30,297)	–
<b>Net cash flows from financing activities</b>		<b>(11,878)</b>	<b>(65,851)</b>
Net increase/(decrease) in cash and cash equivalents		31,377	(47,198)
Net foreign exchange differences		(37)	(236)
Cash and cash equivalents at beginning of period		5,044	52,478
<b>Cash and cash equivalents at end of period</b>		<b>36,384</b>	<b>5,044</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.





# Reconciliation of profit after income tax to net cash inflow from operating activities

FOR THE PERIOD ENDED  
31 DECEMBER 2015

	2015 \$'000	2014 \$'000
<b>Reconciliation of net (loss) after income tax with cash flow from operations:</b>		
Net (loss) for the period	(42,257)	(71,575)
Cash flows excluded from operating (loss) attributable to operating activities:		
<b>Non-cash flows in operating (loss)</b>		
Loss on disposal of property, plant and equipment	98	481
Amortisation/depreciation	71,018	70,973
Accrued interest expense (incl. amortisation of debt raising costs)	89,270	87,403
Accrued specific items/management fees	1,536	930
FX on foreign denominated transactions	448	879
Management shares	1,440	1,072
Income tax credit	(24,830)	(27,193)
<b>Changes in assets and liabilities, net of the effects of the purchase and disposal of subsidiaries:</b>		
Movement in trade and term debtors	(417)	194
Movement in other financial assets	(1,398)	(1,344)
Movement in prepayments/other assets	(542)	(1,093)
Movement in inventories	318	(482)
Movement in trade creditors and accruals	887	2,791
Movement in provisions	410	694
Movement in income taxes payable	–	(3,263)
Movement in unearned revenues	1,879	(2,104)
<b>Cash flows from operations</b>	<b>97,860</b>	<b>58,363</b>

# Notes to the Financial Statements

FOR THE PERIOD ENDED  
31 DECEMBER 2015

## 1 CORPORATE INFORMATION

The consolidated financial statements and notes represent those of MYOB Group Limited ("Parent") and its consolidated entities ("the Group"). The financial statements were authorised for issue on 25 February 2016 by the directors of the company.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

MYOB Group Limited is a for-profit entity, limited by shares, incorporated and domiciled in Australia. Registered Office/principle place of business: Level 3, 235 Springvale Road, Glen Waverley, Victoria 3150.

The amounts represented in the financial statements have been rounded to the nearest thousand dollars. The functional and presentation currency of MYOB Group Limited and its Australian subsidiaries is Australian dollars (A\$).

## 2 BASIS OF PREPARATION AND CONSOLIDATION

### 2.1 BASIS OF PREPARATION

This financial report is a general-purpose financial report and has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board.

The Group is a for-profit group for the purpose of preparing the financial statements.

#### (i) Compliance with IFRS

The consolidated financial statements of MYOB Group Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (ii) New and amended standards adopted by the Group

The Group has applied the following standard and amendment for the first time for the annual reporting period commencing 1 January 2015:

#### AASB 133 Earnings per share

MYOB Group Limited prepares financial reports in accordance with *Part 2M.3 of the Act* as it is a reporting entity and has listed Ordinary shares. As part of that reporting it will disclose earnings per share.

There are no other standards issued that have a material impact on the entity in the current or future reporting periods.

#### (iii) Accounting standards issued but not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2015 reporting period and have not yet been applied in the financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below.

#### AASB 9 Financial Instruments, AASB 2010-7 and AASB 2012-6

These amendments address the classification, measurement and derecognition of financial assets and liabilities and may affect the Group's accounting for its financial instruments. The derecognition rules have been transferred from AASB 139 Financial Instruments: recognition and measurement and have not been changed. The new accounting standard and amendments are mandatory for the Group's 31 December 2018 consolidated financial statements, as amended by AASB 2013-9. The potential effect of the new and amending standards on the financial results of the consolidated entity upon adoption has yet to be fully determined.

#### AASB 15 Revenue from contracts with clients

Revenue from contracts with clients will be effective for the first interim period within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption. Management has performed an initial assessment of the impact. Based on this initial assessment there is likely to be a change in the recognition of commission costs. AASB 15 requires the incremental costs of obtaining a contract are capitalised and expensed over the contract period. Under the current accounting policies, these costs are expensed as they occur. Management has not yet determined the financial impact of the change. Based on the guidance, management does not expect the recognition and measurement of revenue to materially change under the new standard, but has not yet completed its final assessment.

## 2.1 BASIS OF PREPARATION (CONTINUED)

### IFRS 16 Leases

This new standard will replace the current guidance on lease accounting in AASB 117. The new accounting standard will be mandatory for the Group's 31 December 2019 consolidated financial statements and early adoption is permitted. Under the new standards, entities will no longer be required to distinguish between finance leases and operating leases. For the majority of leases, lessees will be required to recognise a lease liability and a corresponding asset on the balance sheet. The potential effect of the new standard on the financial results of the consolidated entity upon adoption has yet to be fully determined.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods.

### (iv) Historical cost convention

These financial statements have been prepared on an accruals basis and are based on historical costs, as modified where applicable by the measurement at fair value of derivatives. Notwithstanding the deficiency in net current assets in the Group, the directors have determined the Group can continue as a going concern as the consolidated future cash flows will be sufficient to cover the shortfall, along with active management of costs and use of facilities over the next 12 months.

### (v) Critical accounting estimates

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

The Group has amended its Intangible assets amortisation accounting policy during the reporting period. The change in the policy relates to the timing of commencement of amortisation on internally generated software projects. Under the new policy the Group will commence amortising the project at the earlier of 1 July or 1 January subsequent to the date of any component of the project being sold into the market.

This varies from the previous policy when costs were specifically matched to the individual components and only commenced amortising when the relevant component of the project was sold into the market. The old policy was difficult to manage due to the inability to accurately match specific costs to individual components.

There is no impact on prior year results and the impact on the current and future years is not material with the impact being nil over the life of the project.

## 2.2 BASIS 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.

## 3 SEGMENT INFORMATION

### 3.1 DESCRIPTION/REPORTING OF SEGMENTS

Management has determined the operating segments based on the reports reviewed by the Board. The Board analyses the Group's activities by operating segments which are organised and managed separately according to the nature of the clients they service, with each segment offering different products and serving different markets. The Board reviews each of the operating segments down to contribution.

SME Solutions provides business management software and services to small and medium enterprises. Practice Solutions provides business software and services to accounting professionals in practice. Enterprise Solutions provides enterprise resource planning and human resource management software and services to medium and large enterprises.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the Board.

There are no significant transactions between segments.



### 3 SEGMENT INFORMATION (CONTINUED)

#### 3.2 REPORTING SEGMENTS

2015	SME SOLUTIONS \$'000	PRACTICE SOLUTIONS \$'000	ENTERPRISE SOLUTIONS \$'000	CORPORATE (INCL. R&D) \$'000	TOTAL \$'000
<b>(a) Revenue</b>					
Segment revenue	205,027	81,700	41,045	5	327,777
<b>(b) Other profit and loss disclosures</b>					
Direct materials/Royalties/Reseller commissions	13,830	1,352	8,306	–	23,488
Staff related expenses	38,198	18,332	11,381	44,767	112,678
Other operating expenses	10,944	3,809	1,467	21,289	37,509
Other expenses (refer note 5)	–	–	–	29,881	29,881
Contribution	142,055	58,207	19,891	(95,932)	124,221
Depreciation and amortisation					71,020
Finance costs					120,288
(Loss) before tax					(67,087)

#### (c) Revenue by country

	AUSTRALIA \$'000	NEW ZEALAND \$'000	TOTAL \$'000
Segment revenue	272,996	54,781	327,777

#### (d) Information on major clients

Revenues from transactions with a single client in no case exceeded 10% of the Group's sales in 2015.

#### (e) Non-current assets by country

	AUSTRALIA \$'000	NEW ZEALAND \$'000	TOTAL \$'000
Property, plant and equipment	13,127	2,049	15,176
Intangible assets & goodwill	1,126,187	92,803	1,218,990
Investments	18,525	–	18,525
<b>Total</b>	<b>1,157,839</b>	<b>94,852</b>	<b>1,252,691</b>

Non-current assets are not reported by operating segments as they are integrated across the business rather than by segment.

2014	SME SOLUTIONS \$'000	PRACTICE SOLUTIONS \$'000	ENTERPRISE SOLUTIONS \$'000	CORPORATE (INCL. R&D) \$'000	TOTAL \$'000
<b>(a) Revenue</b>					
Segment revenue	180,355	79,360	27,384	126	287,225
<b>(b) Other profit and loss disclosures</b>					
Direct materials/Royalties/Reseller commissions	12,068	1,403	7,087	–	20,558
Staff related expenses	35,996	16,983	6,810	34,291	94,080
Other operating expenses	9,712	4,133	1,464	18,809	34,118
Other expenses (refer note 5)	–	–	–	27,891	27,891
Contribution	122,579	56,841	12,023	(80,865)	110,578
Depreciation and amortisation					70,973
Interest					138,309
(Loss) before tax					(98,704)

#### (c) Revenue by country

	AUSTRALIA \$'000	NEW ZEALAND \$'000	TOTAL \$'000
Segment revenue	243,380	43,845	287,225

#### (d) Information on major clients

Revenues from transactions with a single client in no case exceeded 10% of the Group's sales in 2014.

#### (e) Non-current assets by country

	AUSTRALIA \$'000	NEW ZEALAND \$'000	ASIA \$'000	TOTAL \$'000
Property, plant and equipment	12,907	2,654	101	15,662
Intangible assets & goodwill	1,164,028	75,220	–	1,239,248
Investments	10,525	–	–	10,525
<b>Total</b>	<b>1,187,460</b>	<b>77,874</b>	<b>101</b>	<b>1,265,435</b>

Non-current assets are not reported by operating segments as they are integrated across the business rather than by segment.

## 4 REVENUE

	2015 \$'000	2014 \$'000
<b>Sales revenue</b>		
Revenue from services	309,380	267,181
Revenue from sale of goods	18,397	20,044
	<b>327,777</b>	<b>287,225</b>

### SIGNIFICANT ACCOUNTING POLICIES

#### Revenue

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. The following specific recognition criteria must also be met before revenue is recognised.

#### Subscriptions

Revenue from sale of subscription services is recognised on a straight line basis over the period of subscription, from the date of contract until expiry, reflecting the period over which the services are supplied.

#### Maintenance and cover support

Unearned income from maintenance and support is recognised upon receipt of payment for maintenance/support contracts. Revenue is brought to account over time as it is earned.

#### Transactional and other services

Revenue such as seminar fees is recognised when the service is provided.

However, where clients are no longer able to obtain a refund or credit note on cancellation before the service is conducted, the revenue is recognised on the first day where refund or credit note would not be available.

#### Other revenue

Other revenue is predominantly the royalties derived from sale of copyrighted forms and product sales under licence. This revenue is recognised on an accruals basis.

#### Sale of goods (new software and software upgrades)

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the client. In the case of products, the physical stock must have been shipped to the client.

#### 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.

#### 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.

## 5 OTHER EXPENSES

		2015 \$'000	2014 \$'000
One-off costs	(a)	2,424	9,560
Growth projects	(b)	110	9,893
Integration costs		4,273	2,355
Management fee		879	2,500
Redundancy/Restructuring costs		1,716	2,595
Initial Public Offering costs		19,456	–
Other		1,023	988
<b>Total other expenses</b>		<b>29,881</b>	<b>27,891</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>(a) One-off expenses</b>			
One-off marketing		2,424	2,797
One-off R&D		–	6,763
<b>Sub-Total</b>		<b>2,424</b>	<b>9,560</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>(b) Growth projects</b>			
Mobile payment		–	3,903
Sales channel surge		–	5,990
OnDeck		110	–
<b>Sub-Total</b>		<b>110</b>	<b>9,893</b>

One-off expenses associated with new product launches, brand campaigns, etc.

## 6 INCOME TAX

	2015 \$'000	2014 \$'000
<b>(a) Income tax (benefit)</b>		
Current tax (benefit)/expense	(1,262)	2,661
Deferred tax	(19,087)	(29,320)
Adjustments for current tax of prior periods	(4,481)	(470)
<b>Income tax (benefit)</b>	<b>(24,830)</b>	<b>(27,129)</b>
Deferred income tax (benefit) included in income tax (benefit) comprises:		
(Increase) in deferred tax assets	(17,364)	(21,844)
(Decrease) in deferred tax liabilities	(1,723)	(7,476)
	<b>(19,087)</b>	<b>(29,320)</b>
<b>(b) Numerical reconciliation of income tax (benefit) to prima facie tax payable</b>		
(Loss) from operations before income tax	(67,087)	(98,704)
Tax (benefit) at the Australian tax rate of 30% (2014 – 30%)	(20,126)	(29,611)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment, legal fees and management shares	812	320
Research and development concession <sup>1</sup>	(1,732)	(695)
Thin capitalisation – over geared non-deductible debt deductions	–	2,878
Non-deductible transaction costs	–	394
Sundry items	613	16
	<b>(307)</b>	<b>2,913</b>
Difference in overseas tax rate	84	39
Adjustments for current tax of prior periods	(4,481)	(470)
<b>Income tax (benefit)</b>	<b>(24,830)</b>	<b>(27,129)</b>
<b>(c) Tax (income) relating to items of other comprehensive income</b>		
Cash flow hedges	(229)	(807)

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 reduced income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward.

## 6 INCOME TAX (CONTINUED)

	2015 \$'000	2014 \$'000
<b>(d) Amounts recognised directly in equity</b>		
Tax effect of the Group's Initial Public Offering costs	9,060	–
<b>(e) Tax losses</b>		
Unused capital tax losses for which no deferred tax asset has been recognised	6,425	6,425
Potential tax benefit @30%	1,928	1,928
All unused tax losses relate to capital losses incurred by the Australian tax consolidated group.		
<b>(f) Deferred tax</b>		
Net deferred tax asset	62,525	31,590
Comprising:		
Deferred tax asset	98,072	71,877
Deferred tax (liability)	(35,547)	(40,287)
	62,525	31,590
<b>Deferred tax assets</b>		
The balance comprises temporary differences attributable to:		
Tax losses (carried forward)	53,099	38,716
Employee benefits	3,298	3,047
Commercialised software	24,972	20,774
MYOB brand	1,396	1,395
	82,765	63,932
Other:		
Unearned revenue	1,627	1,382
Accruals	1,216	1,446
Doubtful debts	205	225
Make good provision	491	510
Provision for stock obsolescence	16	8
Fixed assets	206	101
Borrowing costs	122	833
Swap revaluation	–	229
Loan notes interest not deductible	–	2,328
Foreign exchange and FBT	276	745
Business related costs Section 40-880	11,148	138
	15,307	7,945
Total deferred tax assets	98,072	71,877
Deferred tax assets expected to be recovered within 12 months	10,795	11,392
Deferred tax assets expected to be recovered after more than 12 months	87,277	60,485
	98,072	71,877

MOVEMENTS	TAX LOSSES \$'000	EMPLOYEE BENEFITS \$'000	COMMER- CIALISED SOFTWARE \$'000	MYOB BRAND \$'000	OTHER \$'000	TOTAL \$'000
<b>At 31 December 2014</b>	38,716	3,047	20,774	1,395	7,945	71,877
(Charged)/credited						
to profit or loss	14,383	251	4,198	1	(1,469)	17,364
to other						
comprehensive (loss)	–	–	–	–	(229)	(229)
to equity	–	–	–	–	9,060	9,060
<b>At 31 December 2015</b>	53,099	3,298	24,972	1,396	15,307	98,072

	2015 \$'000	2014 \$'000
<b>Deferred tax liability</b>		
The balance comprises temporary differences attributable to:		
Customer relationships	28,137	31,668
Amortisable acquired brand	2,353	3,012
In-house software	5,052	5,584
	35,542	40,264
Other		
Prepayments	5	23
	5	23
Total deferred tax liabilities	35,547	40,287
Deferred tax liabilities expected to be settled within 12 months	4,044	4,621
Deferred tax liabilities expected to be settled after more than 12 months	31,503	35,666
	35,547	40,287

MOVEMENTS	CUSTOMER RELATION- SHIPS \$'000	AMORT- ISABLE ACQUIRED BRAND \$'000	IN-HOUSE SOFTWARE \$'000	OTHER \$'000	TOTAL \$'000
<b>At 31 December 2014</b>	31,668	3,012	5,584	23	40,287
Charged/(credited)					
to profit or loss	(514)	(659)	(532)	(18)	(1,723)
acquired through business combinations	(3,017)	–	–	–	(3,017)
<b>At 31 December 2015</b>	28,137	2,353	5,052	5	35,547





## 6 INCOME TAX (CONTINUED)

## SIGNIFICANT ACCOUNTING POLICIES

## Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- if they arise from the initial recognition of goodwill or where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available

against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where:

- the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- deductible temporary differences associated with investments in subsidiaries deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

## Tax consolidated group

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

The current tax liabilities (or assets) of each member of the Tax Group are accounted for as being assumed by MYOB Group Limited. Similarly, the deferred tax assets arising from unused tax losses and unused relevant tax credits of each member are accounted for as being assumed by MYOB Group Limited.

The members of the Tax Group have entered into a tax sharing and tax funding agreement. Under the tax funding agreement the members of the Tax Group compensate MYOB Group Limited for any current tax payable assumed. In addition, the members of the Tax Group are compensated by MYOB Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are assumed and recognised as a deferred tax asset by MYOB Group Limited.

The funding amounts calculated under the tax funding agreement are determined by a notional income tax allocation that is prepared for each member of the Tax Group as if it were a taxable entity in its own right. This

notional income tax allocation is completed on the basis of specific assumptions set out in the tax funding agreement. Depending on the outcome the notional income tax allocation prepared by each member of the Tax Group will recognise either a current amount receivable or payable to the head entity of the Tax Group, being MYOB Group Limited.

The amounts receivable/payable under the tax funding agreement are due upon receipt of funding advice from MYOB Group Limited (the head entity of the Tax Group), which must be issued as soon as practicable after the end of each income year. MYOB Group Limited may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

## CRITICAL ACCOUNTING ESTIMATES

## Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses as management considers 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. 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 over the next two years together with future tax planning strategies.



## 7 INTANGIBLE ASSETS AND GOODWILL

	BRANDS \$'000	CUSTOMER RELATIONSHIPS \$'000	COMMERCIALISED SOFTWARE \$'000	GOODWILL \$'000	IN-HOUSE SOFTWARE \$'000	ACQUIRED IP \$'000	TOTAL \$'000
<b>2015</b>							
At 1 January 2015, net of accumulated amortisation	122,540	106,503	154,183	827,738	27,284	1,000	1,239,248
Additions	250	–	–	–	20,129	1,100	21,479
Transfers	–	–	–	–	2,100	(2,100)	–
Additions through business combinations	482	10,632	1,790	12,058	–	–	24,962
Amortisation	(2,927)	(21,849)	(32,990)	–	(8,186)	–	(65,952)
Disposal	–	(263)	–	–	–	–	(263)
Net foreign currency movements arising from foreign operations	(2)	(103)	(6)	(373)	–	–	(484)
At 31 December 2015, net of accumulated amortisation	120,343	94,920	122,977	839,423	41,327	–	1,218,990
<b>At 1 January 2015</b>							
Cost (gross carrying amount)	126,518	184,168	253,018	827,738	44,955	2,231	1,438,628
Accumulated amortisation and impairment	(3,978)	(77,665)	(98,835)	–	(17,671)	(1,231)	(199,380)
Net carrying amount	122,540	106,503	154,183	827,738	27,284	1,000	1,239,248
<b>At 31 December 2015</b>							
Cost (gross carrying amount)	127,248	194,362	254,802	839,423	63,865	–	1,479,700
Accumulated amortisation and impairment	(6,905)	(99,442)	(131,825)	–	(22,538)	–	(260,710)
Net carrying amount	120,343	94,920	122,977	839,423	41,327	–	1,218,990



## 7 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

2014	BRANDS \$'000	CUSTOMER RELATIONSHIPS \$'000	COMMERCIALISED SOFTWARE \$'000	GOODWILL \$'000	IN-HOUSE SOFTWARE \$'000	ACQUIRED IP \$'000	TOTAL \$'000
At 1 January 2014, net of accumulated amortisation	125,393	124,227	184,032	809,710	21,509	1,000	1,265,871
Additions	–	–	–	–	12,316	1,231	13,547
Additions through business combinations	1,125	4,641	2,590	15,432	–	–	23,788
Amortisation	(3,978)	(23,024)	(32,509)	–	(6,480)	(1,231)	(67,222)
Net foreign currency movements arising from foreign operations	–	659	70	2,596	(61)	–	3,264
At 31 December 2014, net of accumulated amortisation	122,540	106,503	154,183	827,738	27,284	1,000	1,239,248
<b>At 1 January 2014</b>							
Cost (gross carrying amount)	125,393	178,736	250,299	809,710	32,680	5,709	1,402,527
Accumulated amortisation and impairment	–	(54,509)	(66,267)	–	(11,171)	(4,709)	(136,656)
Net carrying amount	125,393	124,227	184,032	809,710	21,509	1,000	1,265,871
<b>At 31 December 2014</b>							
Cost (gross carrying amount)	126,518	184,168	253,018	827,738	44,955	2,231	1,438,628
Accumulated amortisation and impairment	(3,978)	(77,665)	(98,835)	–	(17,671)	(1,231)	(199,380)
Net carrying amount	122,540	106,503	154,183	827,738	27,284	1,000	1,239,248

**(a) Impairment tests for goodwill/intangible assets**

At each reporting date, the Group assesses 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). Non-financial assets, other than goodwill, that recognised an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Goodwill and intangible assets are allocated to the Group's cash-generating units identified according to divisional operating segments.

## 7 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

A cash-generating unit level summary of the allocation is presented below:

	SME SOLUTIONS \$'000	PRACTICE SOLUTIONS \$'000	ENTERPRISE SOLUTIONS \$'000	TOTAL \$'000
<b>2015</b>				
<i>Identified intangible assets:</i>				
Indefinite life brand	70,905	28,496	13,043	112,444
Acquired brands	6,885	–	1,015	7,900
Commercialised software/copyright	86,869	34,219	1,889	122,977
Customer relationships	39,259	52,078	3,582	94,919
Internally generated software	15,121	14,853	11,353	41,327
Goodwill	533,381	207,822	98,220	839,423
<b>Total intangible assets</b>	<b>752,420</b>	<b>337,468</b>	<b>129,102</b>	<b>1,218,990</b>
<b>2014</b>				
<i>Identified intangible assets:</i>				
Indefinite life brand	70,905	28,496	13,043	112,444
Acquired brands	8,775	–	1,322	10,097
Commercialised software/copyright	108,379	43,344	2,460	154,183
Customer relationships	39,930	62,091	4,482	106,503
Internally generated software	12,141	8,146	6,998	27,285
Acquired intellectual property	–	–	1,000	1,000
Goodwill	521,696	207,823	98,217	827,736
<b>Total intangible assets</b>	<b>761,826</b>	<b>349,900</b>	<b>127,522</b>	<b>1,239,248</b>

The recoverable amount of a cash-generating unit is determined based on the fair value less costs to sell. These calculations use cash flow projections based on financial forecasts approved by management covering an eight-year period. Cash flows beyond the eight-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 cash-generating unit operates.

### (b) Key assumptions for fair value less cost to sell calculations

	2015	2014
Nominal discount rate (post tax)	10.13%	11.25%
Terminal growth rate	2.50%	2.50%
Cost to sell	1.00%	1.00%

Nominal discount rate (post tax) is the Group's Weighted Average Cost of Capital.

Terminal growth rate is the expected industry growth rate.

Cost to sell is based on an estimate of costs associated with selling the business in an orderly transaction, having regard to the size of the business. This is an estimate based on management's judgement.

### (c) Methodology used to allocate goodwill/intangible assets that were not easily identifiable to a cash-generating unit

Management used historical amounts (allocation methodology at the time was around 2014 revenue plan % splits per cash-generating unit) for existing goodwill/intangible assets that were not easily identifiable.

### (d) Impact of possible changes to key assumptions

The recoverable amount of the intangible assets in the Practice and Enterprise Solutions segments exceeds the carrying value at 31 December 2015. An increase of 0.5% in the post tax discount rate of 10.13% or a 5% decrease in cash flow forecasts does not result in an impairment of intangible assets at 31 December 2015. This change would be considered a reasonably possible change to key assumptions.

The recoverable amount of the intangible assets in the SME Solutions segment exceeds the carrying value at 31 December 2015. No reasonably possible change in assumptions would lead to an impairment at 31 December 2015.





## 7 INTANGIBLE ASSETS AND GOODWILL (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.

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill has been allocated.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

## 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.

## Research and development costs

Research costs are expensed as incurred.

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.

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. Any expenditure, so capitalised, is amortised over the period of expected benefit from the related project.

## Useful life of intangible assets

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

	COMMERCIAL- ISED SOFTWARE	INTERNALLY GENERATED SOFTWARE	CUSTOMER RELATIONSHIPS	INTELLECTUAL PROPERTY	BRANDS <sup>1</sup>
Method used	5 to 8 years – straight line	5 years – straight line	9.25 to 17 years – diminishing value	5 years – straight line	4 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 and IMS (original cost \$14.7 million) are being amortised over their perceived useful life of 4–5 years.

## Gains or losses on disposal

Gains or losses arising from the sale of an intangible 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

## Estimated impairment of goodwill

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 lives of intangible assets are assessed to be either finite or indefinite. 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.

## 8 BUSINESS COMBINATIONS

### (a) ACE Payroll Plus Limited

MYOB Finance NZ Limited (Fin NZ) acquired 100% of shares in ACE Payroll Plus Limited (ACE) on 31 May 2015 for NZD \$14.02 million (AUD \$13.16 million).

Fin NZ acquired ACE to consolidate the Group's leadership position in NZ payroll and to help drive growth strategies. The acquisition deepened relationships with many New Zealand clients as the Group now provides them with both accounting and payroll solutions. The acquisition was immediately accretive to earnings and earnings per share.

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

	\$'000
Cash	13,160
Total purchase consideration	13,160

The assets and liabilities recognised as a result of the acquisition are as follows:

	FAIR VALUE \$'000
Cash and cash equivalents	939
Investment	1
Unearned revenue	(794)
Payables	(140)
	6
Goodwill	7,040
Intellectual property – brand	282
Intellectual property – customer relationships	6,665
Intellectual property – commercialised software	1,033
Deferred tax liability	(1,866)
	13,160

### (i) Transaction costs

Transaction costs of \$0.24 million have been expensed in the period in relation to this business combination.

### (ii) Revenue contribution

The acquired business contributed revenue of \$1.86 million to the Group for the period from 1 June 2015 to 31 December 2015.

If the acquisition had occurred on 1 January 2015, the contributed revenue for the full year ended 31 December 2015 would be \$3 million.

### (b) Information Management Services Limited

MYOB Finance NZ Limited (Fin NZ) acquired 100% of shares in Information Management Services Limited (IMS) on 30 September 2015 for NZD\$10 million (AUD \$9.08 million).

Fin NZ acquired IMS to consolidate the Group's leadership position in NZ payroll and to help drive growth strategies. The acquisition deepened relationships with many New Zealand clients as the Group now provides them with both accounting and payroll solutions. The acquisition was immediately accretive to earnings and earnings per share.

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

	\$'000
Cash	9,084
Total purchase consideration	9,084

The assets and liabilities recognised as a result of the acquisition are as follows:

	FAIR VALUE \$'000
Cash and cash equivalents	531
Working capital	(45)
Unearned revenue	(204)
Net deferred tax liability	(30)
	252
Goodwill	5,018
Intellectual property – brand	201
Intellectual property – customer relationships	3,967
Intellectual property – commercialised software	757
Deferred tax liability	(1,111)
	9,084

### (i) Transaction costs

Transaction costs of \$0.20 million have been expensed in the period in relation to this business combination.

### (ii) Revenue contribution

The acquired business contributed revenue of \$1.04 million to the Group for the period from 1 October 2015 to 31 December 2015.

If the acquisition had occurred on 1 January 2015, the contributed revenue for the full year ended 31 December 2015 would be \$4 million.

## 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.

## 9 WORKING CAPITAL – TRADE AND OTHER RECEIVABLES

	2015 \$'000	2014 \$'000
Trade receivables	11,999	10,954
Allowance for impairment	(825)	(754)
	11,174	10,200
Other receivables	1,545	1,943
	12,719	12,143

## 10 WORKING CAPITAL – OTHER CURRENT ASSETS

	2015 \$'000	2014 \$'000
Funds held on behalf of clients <sup>1</sup>	5,879	4,481
Prepayments	6,254	5,559
Redeemable preference shares advance <sup>2</sup>	–	203,000
Other	1,044	493
	13,177	213,533

<sup>1</sup> Funds held on behalf of clients represents M-Powered services and PaySuper. This asset is offset by the liability of the same value included in trade and other payables.

<sup>2</sup> On 20 February 2015 the Board approved a selective buyback of Redeemable preference shares to the value of \$203 million out of refinancing completed during the 2014 year. Based on that approval the 2014 accounts reflected a current RPS advance receivable and an offsetting current RPS liability ([refer note 11](#)).

## 11 INTEREST-BEARING LOANS AND BORROWINGS

2015	MATURITY	\$'000 CURRENT	MATURITY	\$'000 NON-CURRENT
Secured bank loan	–	–	2019	434,487
Less: debt transaction costs	–	–	–	(1,776)
		–		432,711

2014	MATURITY	\$'000 CURRENT	MATURITY	\$'000 NON-CURRENT
Secured bank loan	2014	25,000	2017	619,476
Redeemable preference shares	–	203,000	–	136,194
Subordinated notes	–	–	2017	155,000
Loan notes	–	–	2018	227,675
Less: debt transaction costs	–	(4,063)	–	(7,349)
		223,937		1,130,996

FINANCE COST	2015 \$'000	2014 \$'000
Interest expense on senior debt	26,056	37,584
Interest expense on subordinated notes	5,674	14,508
	31,730	52,092

Debt transaction costs amortised	1,710	5,957
Debt transaction costs written off as part of Initial Public Offering/2014 refinancing	10,038	13,271
Interest expense on Redeemable preference shares and loan notes	22,463	68,757
Penalty interest (break fee) on settlement of loan notes on Initial Public Offering	54,703	–
<b>Total interest expense</b>	<b>120,644</b>	<b>140,077</b>

## 11 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

The Group also has a \$49 million (2014: \$49 million) revolving working capital facility. This facility is currently unutilised except for supporting \$2.8 million of letters of credit provided to landlords of certain properties leased by the Group.

The Group's \$434.5 million (2014: \$645 million) bank debt is provided by a syndicate of five banks (2014 – sixteen banks) each holding between 18% and 21%. This debt is not repayable until the facility termination date in 2019.

The Group uses interest rate caps to hedge a portion of the risk associated with interest rate fluctuations ([refer note 12](#)).

The bank loan is secured over all of the assets of the Group with the exception of certain entities whose assets are not material to the Group.

On 7 May 2015, Redeemable preference shares, loan notes and subordinated notes were paid out as a result of the Group's Initial Public Offering.

The Group's repayment of loan notes of \$292.5 million included a \$55 million break fee ([refer previous page](#)).

The Group has used the cash and assets readily convertible to cash that it had at the time of admission to ASX in a way consistent with its business objectives.

The Group refinanced on 25 September 2014 to obtain more favourable pricing and more flexible terms and refinanced again on 20 March 2015 as part of the Group's Initial Public Offering.

In 2014, the Board approved a selective buyback of Redeemable preference shares to the value of \$203 million out of the 2014 refinancing. To reflect this approval, \$203 million of Redeemable preference shares were moved to current liabilities. This amount was settled in February 2015.

The subordinated notes interest rate was a 6.70% margin on top of bank bill swap bid rate, set quarterly in advance.

### Fair values

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

## 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 twelve months from reporting date.

### Redeemable preference shares

The component of the Redeemable preference shares that exhibits characteristics of a liability was recognised as a liability in the consolidated balance sheet.

Preference shares, which were mandatorily redeemable on a specific date, were classified as liabilities.

Interest on the liability component of the instruments was recognised as an expense in profit or loss.

### 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 uses derivative financial instruments to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivative assets and liabilities are classified as non-current when the remaining maturity is more than 12 months, or current when the remaining maturity is less than 12 months. The fair values of interest rate collars are determined using a valuation technique based on cash flows discounted to present value using current market interest rates. Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

Cash flow hedges that meet the criteria for hedge accounting are accounted for as follows:

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or to a forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and cash flow hedge

reserve in equity, while the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction (finance costs) when the forecast transaction occurs.

The Group tests each of the designated cash flow hedges for effectiveness on a bi-annual basis both retrospectively and prospectively using regression analysis. A minimum of 30 data points is used for regression analysis and if the testing falls within the 80:125 range, the hedge is considered highly effective and continues to be designated as a cash flow hedge. At each balance date, the Group measures ineffectiveness using the ratio offset method. For interest rate cash flow hedges, any ineffective portion is taken to other expenses in the consolidated statement of comprehensive income.

If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to the consolidated statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to it being ineffective), amounts previously recognised in equity remain in other comprehensive income until the forecast transaction occurs.





## 12 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and 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 derivative financial instruments such as interest rate caps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. 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 rate, aging analysis for credit risk and economic trend and major competitor performance analysis to determine market risk.

The main risks arising from the Group's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. Senior management, in conjunction with the Board, reviews and agrees policies for managing each of these risks.

### MARKET RISK

#### (a) Foreign currency risk

The foreign currency risk is in relation to inter-company loans held in functional currencies in New Zealand and Malaysia.

At 31 December 2015, the Group had the following exposure to various foreign currencies.

	NEW ZEALAND DOLLARS		MALAYSIAN RINGGIT	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash	8,955	1,280	126	62
Accounts receivable	4,528	3,640	–	96
Accounts payable	(2,011)	(1,293)	(20)	(37)
Borrowings	(38,487)	(104,476)	–	–
	(27,015)	(100,849)	106	121

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date. As at 31 December 2015, had the Australian Dollar moved, with all other variables held constant, equity would have been affected as illustrated in the table below:

	HIGHER/(LOWER)	
	2015 \$'000	2014 \$'000
Judgements of reasonably possible movements:		
<b>Consolidated</b>		
AUD/NZD + 10%	(2,702)	(10,085)
AUD/NZD – 5%	1,351	5,042
AUD/MYR + 10%	11	12
AUD/MYR – 5%	(5)	(6)

Note: Overseas entities do not hold any assets/liabilities in any currency other than their local currency.

Based on the current year foreign exchange loss of \$0.45 million, had the Australian Dollar moved by 10% (decrease/increase) with all other variables held constant, post tax profit would have been affected by \$0.03 million.

#### (b) Cash flow and 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. At reporting date, the Group is carrying interest rate caps that cover approximately 38% of its borrowings. During 2015 and 2014, 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 and interest rate collar contracts outstanding:

38% (2014: 30%) of the bank loans below are hedged.

	2015		2014	
	BALANCE \$000'S	WEIGHTED AVERAGE INTEREST RATE	BALANCE \$000'S	WEIGHTED AVERAGE INTEREST RATE
Bank loans	434,487	4.02%	644,476	6.43%
Subordinated notes	–		155,000	9.36%
Net exposure to cash flow excluding interest rate collars and caps	434,487		799,476	
		Interest rate – caps		Interest rate – collars and caps
Interest rate collars	–		(163,923)	3%–6%
Interest rate caps	(165,025)	5.30% & 10.55%	(75,000)	5.30%
Net exposure to cash flow including interest rate collars and caps	269,462		560,553	

## 12 FINANCIAL RISK MANAGEMENT (CONTINUED)

During 2014 the Group's:

- hedging instruments changed from swaps to collars and caps per the Group's hedging profile; and
- subordinated notes became variable per the subordinated note agreement.

During 2015 the Group's:

- hedging instruments changed from collars and caps to caps per the Group's hedging profile; and
- subordinated notes were paid out.

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

### Sensitivity

At 31 December 2015, if interest rates had increased/decreased by 100 basis points from the year end rates with all other variables held constant, post-tax (loss) for the year would have been \$3.04 million higher/lower (2014 changes of 100 bps: \$3.37 million higher/lower).

### CREDIT RISK

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to clients, 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 clients 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 clients. The majority of clients are concentrated in Australia and New Zealand.

### LIQUIDITY RISK

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities and 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.

### (a) Financing arrangements

The group had access to the following undrawn borrowing facilities at the end of the reporting period.

	2015 \$'000	2014 \$'000
<b>Floating rate</b>		
Expiring within one year (bank overdraft and bill facility)	–	–
Expiring beyond one year (bank loans)	46,153	46,537
	<b>46,153</b>	<b>46,537</b>

The Group has a \$46.2million (2014: \$46.5 million) undrawn facility that is made up by four revolving working capital facilities and may be drawn at any time.

### (b) Maturity analysis of financial assets and 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.

	LESS THAN 6 MONTHS	6–12 MONTHS	1–5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT
<b>At 31 December 2015</b>					
<b>Non-derivatives</b>					
Trade and other receivables	12,719	–	–	12,719	12,719
Non interest bearing trade payables	(25,487)	–	–	(25,487)	(25,487)
Borrowings (inc interest)	(8,236)	(8,370)	(474,619)	(491,225)	(434,487)
<b>Total non-derivatives</b>	<b>(21,004)</b>	<b>(8,370)</b>	<b>(474,619)</b>	<b>(503,993)</b>	<b>(447,255)</b>
<b>At 31 December 2014</b>					
<b>Non-derivatives</b>					
Trade and other receivables	12,143	–	–	12,143	12,143
Redeemable preference shares advance	203,000	–	–	203,000	203,000
Loan notes	–	–	–	–	(227,675)
Redeemable preference shares	(203,000)	–	–	(203,000)	(339,194)
Non interest bearing trade payables	(18,591)	–	–	(18,591)	(18,591)
Subordinated notes	(7,346)	(7,346)	(184,383)	(199,075)	(155,000)
Borrowings (inc interest)	(30,527)	(35,204)	(612,628)	(678,359)	(644,476)
<b>Total non-derivatives</b>	<b>(44,321)</b>	<b>(42,550)</b>	<b>(797,011)</b>	<b>(883,882)</b>	<b>(1,169,793)</b>

## 12 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Redeemable preference shares used to accrue interest annually and the principal and interest was redeemable at the earlier of a change of control or 10 years from September 2011. The Group's Initial Public Offering resulted in the settlement of these shares, subordinated notes and loan notes.

### (c) Covenant reporting

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/has been in compliance with all undertakings in relation to its financing arrangements.

### Fair value

AASB 7 Financial Instruments: requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- a) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 – Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- c) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In December 2015 the Group had no assets or liabilities measured and recognised at fair value. At December 2014, the Group's assets and liabilities measured and recognised at fair value comprised the interest rate swap derivative contracts. These were defined as level 2 measurements under the hierarchy.

## 13 CONTRIBUTED EQUITY

### (a) Issued and paid up capital

	2015 \$'000	2014 \$'000
584,458,701 fully paid Ordinary shares (2014 – 354,770,807)	1,138,097	330,928
	1,138,097	330,928

### (b) Movement in shares on issue

	2015		2014	
	NO. SHARES 000's	\$'000	NO. SHARES 000's	\$'000
Beginning of the financial year	354,771	330,928	354,072	354,072
Issued during the year	229,688	828,340	822	822
Share buy-back	–	–	(123)	(123)
Return of capital	–	–	–	(23,843)
Initial Public Offering costs (net of tax)	–	(21,171)	–	–
End of the financial year	584,459	1,138,097	354,771	330,928

On 7 May 2015, at the completion of the Group's Initial Public Offering, 230 million additional shares were issued. 3.55 million of the additional shares were issued to management as part of the Management "A" shares conversion (refer note 14).

On 16 June 2014 the Group completed a return of capital (\$0.067477 cents for each Ordinary share held in MYOB Group Limited) to all shareholders who held Ordinary shares as at 30 April 2013. Number of shares held as at 30 April 2013 was 353.35 million.

### (c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Parent, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the shareholders.

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

The Group's own equity instruments, which are reacquired for later use in employee share-based payment arrangements are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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.



## 14 SHARE-BASED PAYMENTS

### (a) Performance shares/Management "A" shares

21,286,246 Performance shares were issued as part of the Management "A" shares conversion during the Group's Initial Public Offering on 7 May 2015. 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.

Number of Performance shares issued:

	2015 NO. SHARES (000's)	2014 NO. SHARES (000's)
Opening balance	–	–
Number issued (part of Management "A" share conversion)	21,286	–
Number cancelled	(173)	–
Closing balance	21,113	–

The maximum number of shares into which the Performance shares may convert varies depending on the share price on a relevant testing date (relevant testing dates being 30 September 2016 and 30 September 2017). The maximum number of shares into which the Performance shares may convert is 21,113,436 (which would occur if the share price on the relevant testing date was at least \$5.30). The shares convert on a sliding scale, as a point of comparison the number of shares into which the Performance shares may convert if the share price on a relevant testing date was \$3.50, is 12,316,164 (assuming no changes to the capital structure between the Initial Public Offering and those relevant testing dates).

No milestone was met in the reporting period as the relevant testing dates are in 2016 and 2017 as stated above.

In 2011, MYOB Group Limited issued management with Management "A" shares, funded by a non-recourse loan of \$3.7 million. During the Group's Initial Public Offering all Management "A" shares (48,111,176) were converted to 3,547,710 Ordinary shares and 21,286,246 Performance shares and all non-recourse loans were settled.

Number of Management "A" shares issued:

	2015 NO. SHARES (000's)	2014 NO. SHARES (000's)
Opening balance	44,749	42,597
Number issued	3,363	2,166
Adjustment to prior year	–	722
Number bought back	–	(736)
Converted to Ordinary shares/Performance shares	(48,112)	–
Closing balance	–	44,749

Each share had a fair value of \$0.11 which was determined at time of issue (reviewed annually) based on the expected future return to holders of Management "A" Shares.

### (b) Expenses arising from share based payments:

	2015 \$'000	2014 \$'000
Share based payments expense in relation to Management "A" and Performance shares	(1,440)	(1,072)

### SIGNIFICANT ACCOUNTING POLICIES

The Performance share scheme is accounted for as a share based payment under AASB 2 as any distribution would be based upon the equity value of MYOB Group Limited. The share based payment expense in relation to the scheme 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 is a continuation of the Management "A" share scheme.

The share scheme is vesting over 5 years in line with the Management "A" share scheme and is expected to conclude in September 2016. The expected vesting period is reconsidered at each reporting date.

The fair value of the shares was calculated by an external valuer with reference to the expected future return from the plan. It included estimates around the expected future exit date and the estimated enterprise value of the Group, from which the distribution would be calculated.





## 15 KEY MANAGEMENT PERSONNEL

### KEY MANAGEMENT PERSONNEL COMPENSATION

	2015 \$'000	2014 \$'000
Short-term employee benefits	6,057	3,305
Post-employment benefits	206	141
Long-term benefits	191	59
Share-based payments	776	602
	7,230	4,107

Detailed remuneration disclosures are provided in the remuneration report on [pages 31](#) to 37.

### LOANS TO KEY MANAGEMENT PERSONNEL

Long-term incentives that were provided to certain employees via Management "A" shares have been replaced by Performance shares ([refer note 14](#)). These shares did not carry voting rights but allowed holders to participate in a distribution upon an exit by the majority controlling entity (Bain Capital Abacus Holdings L.P), subject to performance and service conditions.

This plan was funded by non-recourse loans that have now been settled at the Group's Initial Public Offering when the Management "A" shares were converted to Ordinary shares and Performance shares.

### OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

All key management personnel, with the exception of the non-executive directors, held Redeemable preference shares earning 14% interest annually, calculated monthly and compounded annually. Under the terms of the agreement there were various triggering events however the shares had no fixed expiry date. The Redeemable preference shares were settled at the Group's Initial Public Offering.

## 16 RELATED PARTY TRANSACTIONS

### (a) Parent entity

The parent entity within the Group is MYOB Group Limited. The majority controlling entity (foreign resident) is Bain Capital Abacus Holdings L.P which at 31 December 2015 owns 57% (2014 – 95%) of the issued Ordinary shares of MYOB Group Limited.

### (b) Subsidiaries

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%)	
		2015	2014
<b>Parent Entity:</b>			
MYOB Group Limited	Australia		
<b>Controlled entities of MYOB Group Limited:</b>			
MYOB Holdings Pty Ltd	Australia	100	100
MYOB Acquisition Pty Ltd	Australia	100	100
MYOB Finance Australia Limited	Australia	100	100
MYOB Australia Pty Ltd	Australia	100	100
MYOB Technology Pty Ltd	Australia	100	100
Solution 6 Pty Ltd	Australia	100	100
Banklink Pty Limited	Australia	100	100
PayGlobal Pty Ltd	Australia	100	100
MYOB New Zealand Group Limited	New Zealand	100	100
MYOB Finance NZ Limited	New Zealand	100	100
MYOB NZ Limited	New Zealand	100	100
Media Transfer Services Limited	New Zealand	100	100
Banklink Limited	New Zealand	100	100
PayGlobal Limited	New Zealand	100	100
Ace Payroll Plus Limited	New Zealand	100	–
Ace Payroll Intermediary Limited	New Zealand	100	–
Information Management Services Limited	New Zealand	100	–
MYOB NZ ESS Limited	New Zealand	100	–
<b>In Liquidation</b>			
ACN 086 760 303 Pty Ltd	Australia	100	100
ACN 136 926 960 Pty Limited	Australia	100	100
Cayman Holdings Limited	Caymans	100	100
MYOB Asia Sdn Bhd	Malaysia	100	100



## 16 RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Subsidiaries incorporated

None.

### (d) Transactions with other related parties

Management fees including out of pocket expenses amounting to \$0.88 million were paid to Bain Capital Partners LLC, during the reporting period prior to the Group's Initial Public Offering.

Management fees of \$12.50 million were paid to Bain Capital Partners LLC, as part of the Group's Initial Public Offering in connection with settling advisory service arrangements.

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.

### (e) Loans to/from related parties

In 2014, \$192.90 million was advanced to Bain Capital Partners LLC and then settled as part of the redemption of the Redeemable preference shares during the Group's Initial Public Offering in 2015.

## 17 DEED OF CROSS GUARANTEE

On 29 June 2015, MYOB Group Limited entered into a Deed of Cross Guarantee with other relevant entities (inc MYOB Australia Pty Limited) within the Group.

Pursuant to Class Order 98/1418, relief has been granted to MYOB Holdings Pty Ltd, MYOB Acquisition Pty Ltd and MYOB Technology Pty Ltd from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

The effect of the deed is that MYOB Group Limited has guaranteed to pay any deficiency in the event of winding up of any controlled entity. The controlled entities have also given a similar guarantee in the event that MYOB Group Limited is wound up.

This Group was newly formed during 2015 and therefore no comparative is provided.

The consolidated statement of comprehensive income and consolidated balance sheet of the entities which are members of the "Closed Group" are as follows:

## CLOSED GROUP – CONSOLIDATED INCOME STATEMENT

	2015 \$'000
(Loss) from ordinary activities before income tax	(60,052)
Income tax benefit relating to ordinary activities	23,851
<b>Net (loss) from ordinary activities after income tax expense</b>	<b>(36,201)</b>
Retained profits/(loss) at the beginning of the period	(240,620)
Transfer to Profit reserve	(130,000)
Net (loss) from ordinary activities after income tax expense	(36,201)
<b>Retained (loss) at the end of the financial year</b>	<b>(406,821)</b>

## 17 DEED OF CROSS GUARANTEE (CONTINUED)

### CLOSED GROUP – CONSOLIDATED BALANCE SHEET

	2015 \$'000
<b>Current Assets</b>	
Cash assets	2,171
Trade and other receivables	25,586
Inventories	503
Other financial assets	30,379
Other	5,721
<b>Total current assets</b>	<b>64,360</b>
<b>Non-current assets</b>	
Property, plant and equipment	13,126
Deferred tax assets	95,841
Intangible assets	1,124,284
Investments	74,370
<b>Total non-current assets</b>	<b>1,307,621</b>
<b>Total Assets</b>	<b>1,371,981</b>
<b>Current liabilities</b>	
Trade and other payables	35,736
Unearned revenue	33,990
Other tax liabilities	2,967
Provisions	9,120
<b>Total current liabilities</b>	<b>81,813</b>
<b>Non-current liabilities</b>	
Interest bearing liabilities	394,380
Deferred tax liabilities	29,671
Provisions	4,607
<b>Total non-current liabilities</b>	<b>428,658</b>
<b>Total Liabilities</b>	<b>510,471</b>
<b>Net Assets</b>	<b>861,510</b>
<b>Equity</b>	
Contributed equity	1,138,097
Reserves	130,234
Retained profits	(406,821)
<b>Total Equity</b>	<b>861,510</b>

## 18 PARENT ENTITY FINANCIAL INFORMATION<sup>1</sup>

The financial information of the parent entity, MYOB Group Limited, has been prepared on the same basis as the consolidated financial statements.

### (a) Summary financial information

The individual financial statements for the Parent show the following aggregate amounts.

	2015 \$'000	2014 \$'000
<b>Balance Sheet</b>		
Current Assets	71	203,086
Non-current Assets	934,930	541,399
<b>Total Assets</b>	<b>935,001</b>	<b>744,485</b>
Current Liabilities	247	7
Non-current Liabilities	–	566,869
<b>Total Liabilities</b>	<b>247</b>	<b>566,876</b>
<b>Net Assets</b>	<b>934,754</b>	<b>177,609</b>
<b>Shareholders' equity</b>		
Issued Capital	1,138,097	330,928
Retained earnings	(203,343)	(153,319)
<b>Total Equity</b>	<b>934,754</b>	<b>177,609</b>
<b>(Loss) for the year</b>	<b>(50,024)</b>	<b>(50,237)</b>
<b>Total comprehensive (loss)</b>	<b>(50,024)</b>	<b>(50,237)</b>

### (b) Contingent liabilities of the Parent

There are no contingent liabilities or contingent assets as at 31 December 2015.

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.

1 MYOB Group Limited became the parent entity of the Group at the Group's Initial Public Offering. Prior year amounts have been included for comparative purposes only.

**19 REMUNERATION OF AUDITORS**

	2015 \$	2014 \$
The auditor of the Group is PricewaterhouseCoopers		
<b>Amounts received or due and receivable by PricewaterhouseCoopers (Australia) for:</b>		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	311,240	281,502
Other services in relation to the entity and any other entity in the consolidated entity		
Project related	436,078	344,400
Initial Public Offering related	2,581,775	–
Tax advisory	24,860	5,100
	3,353,953	631,002
<b>Amounts received or due and receivable by affiliates of PricewaterhouseCoopers (Australia) for:</b>		
An audit or review of the financial report of subsidiary entities	48,760	49,500
	3,402,713	680,502

**20 EARNINGS PER SHARE**

	2015	2014
(Loss) attributable to ordinary equity holders of MYOB Group Limited (\$)	(42,257,061)	(71,574,772)
Weighted average number of Ordinary shares used as the denominator in calculating basic earnings per share (number of shares)	504,539,915	354,421,500
Basic earnings per share (cents)	(8.38)	(20.19)
Diluted earnings per share (cents)	(8.38)	(20.19)

**EARNINGS PER SHARE****(a) Basic earnings per share**

Basic earnings per share is calculated as net profit/(loss) attributable to members of the Parent, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of Ordinary shares.

**(b) Diluted earnings per share**

Diluted earnings per share is calculated as net profit/(loss) attributable to members of the Parent, adjusted for:

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

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

**21 EVENTS AFTER THE BALANCE SHEET DATE**

On 25 February 2016, the Directors declared an unfranked dividend of 5.0 cents per ordinary share to be paid on 5 April 2016 to shareholders registered at record date 10 March 2016.

There are no other significant events noted after the Balance Sheet date.



## 22 INVESTMENTS

	2015 \$'000	2014 \$'000
Kounta Holdings Pty Limited	4,315	2,315
ProjectX, International Limited	8,210	8,210
OnDeck	6,000	–
	18,525	10,525

### KOUNTA HOLDINGS PTY LIMITED

On 21 May 2014 MYOB Acquisition Pty Limited purchased 1,678,571 Ordinary shares, made up of 250,000 shares from an existing shareholder (\$315,000) and 1,428,571 new shares (\$2,000,000) of Kounta Holdings Pty Limited.

On 2 June 2015 MYOB Acquisition Pty Limited purchased an additional 1,428,571 Ordinary shares (\$2,000,000) of Kounta Holdings Pty Limited.

MYOB Acquisition Pty Limited currently holds 39.5% of the total shares on issue. This investment was assessed during the reporting period under the classification policy/process described below and on the grounds of materiality and significant influence, continues to be reported as an available-for-sale investment.

The investment is integral to the Group's vision of making online accounting easy for every business. The investment allowed the Group and Kounta to launch an integrated online POS solution in late 2014 that combined accounting and point of sale technology. This solution integrates with the Group's online accounting solutions MYOB Essentials and MYOB AccountRight.

### PROJECTX, INTERNATIONAL LIMITED

On 26 November 2014 MYOB Acquisition Pty Limited purchased 1,473,684 Class B-1 Preference shares of ProjectX, International Limited. The Group holds 68.08% of the Class B-1 Preference shares on issue and 8.22% of all shares on issue.

ProjectX, International Limited develops Acumatica software. Acumatica is the platform that the Group's new online based ERP solution, MYOB Advanced, is based on. MYOB Advanced Business is in general release and MYOB Advanced People will release in 1H16. This investment allows the Group to be involved in the ongoing development of the platform.

### ONDECK

On 15 April 2015 MYOB Acquisition Pty Limited purchased 9,000 Preference shares in OnDeck Capital Australia Pty Ltd. This was 30% of Preference shares (all shares) on issue.

OnDeck Capital, Inc. (NYSE: ONDK), is a leading platform for small business loans in North America. The Group invested in OnDeck's expansion into the Australian market so that OnDeck can introduce its disruptive online lending solution to Australia's over two million small businesses. The solution aims to answer a key challenge facing Australian small businesses: the ability to access working capital quickly and easily.

## SIGNIFICANT ACCOUNTING POLICIES

### Classification

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. If the investment does not meet the criteria around control then the Group follows a predetermined policy/process involving assessment of materiality, influence and fit to existing business. The outcomes of this process will determine whether the investment is an associate (equity accounted for), a joint venture or an available-for-sale investment.

Available-for-sale investments are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and management intends to hold them for the medium to long-term.

### Impairment

The Group assesses at each reporting period whether there is objective evidence that an investment is impaired. The investment would be impaired if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) had an impact on the estimated future cash flows of the investment and can be reliably estimated.

If there is objective evidence of impairment for an available-for-sale investment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from the investment and recognised in profit or loss. Impairment losses on investments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period. If the fair value of an investment classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.



## 23 COMMITMENTS AND CONTINGENCIES

### OPERATING LEASE COMMITMENTS – GROUP AS LESSEE

Future minimum rent payable under non-cancellable operating leases as at 31 December are as follows:

	2015 \$'000	2014 \$'000
Within one year	6,500	5,406
After one year but not more than five years	20,072	18,042
More than five years	7,772	8,038
	34,344	31,486

The Group has operating lease commitments 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.

# Directors' declaration

In the directors' opinion:

- (a) The financial statements and notes set out on [pages 40](#) to 68 are in accordance with the *Corporations Act 2001*, including:
  - (i) Complying with Accounting Standards, the *Corporation 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 2015 and of its performance for the financial year ended on that date, and
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
- (c) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in [note 17](#) 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 17](#).

[Note 2.1](#) 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 directors.



**Justin Milne**

Chairman



**Tim Reed**

Executive director and Chief Executive Officer

Sydney, 25 February 2016

# Independent auditor's report



TO THE MEMBERS OF MYOB GROUP LIMITED

## REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of MYOB Group Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for MYOB Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In **Note 2**, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### PricewaterhouseCoopers, ABN 52 780 433 757

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

## Independence

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

### Auditor's opinion

In our opinion:

- (a) the financial report of MYOB Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in **Note 2**.

## REPORT ON THE REMUNERATION REPORT

We have audited the remuneration report included in the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's opinion

In our opinion, the remuneration report of MYOB Group Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



Chris Dodd

Partner

Melbourne  
25 February 2016

# Shareholder information

## ORDINARY SHARES (ASX LISTED)

### TOP 20 SHAREHOLDERS

At 17 February 2016, the twenty largest holders of Ordinary shares held 550,745,044 Ordinary shares, equal to 94.23% of the total issued ordinary capital.

RANK	NAME	ORDINARY SHARES	%IC
1	BAIN CAPITAL ABACUS HOLDINGS, L.P.	337,151,360	57.69
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	59,772,632	10.23
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	51,247,077	8.77
4	CITICORP NOMINEES PTY LIMITED	38,507,729	6.59
5	NATIONAL NOMINEES LIMITED	25,310,492	4.33
6	BNP PARIBAS NOMS PTY LTD	9,328,930	1.60
7	TIMOTHY REED	6,775,299	1.16
8	AVANTEOS INVESTMENTS LIMITED	3,203,174	0.55
9	CITICORP NOMINEES PTY LIMITED	3,007,954	0.51
10	NATIONAL NOMINEES LIMITED	2,861,952	0.49
11	NATIONAL NOMINEES LIMITED	2,437,416	0.42
12	BNP PARIBAS NOMINEES PTY LTD	2,086,045	0.36
13	FERGATRON CONSULTING PTY LIMITED	1,766,864	0.30
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	1,568,015	0.27
15	AMP LIFE LIMITED	1,263,931	0.22
16	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,176,230	0.20
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	946,240	0.16
18	AVANTEOS INVESTMENTS LIMITED	858,086	0.15
19	JOHN MOSS	758,122	0.13
20	UBS NOMINEES PTY LTD	717,496	0.12
<b>Total</b>		<b>550,745,044</b>	<b>94.23</b>
<b>Balance of register</b>		<b>33,713,660</b>	<b>5.77</b>
<b>Grand total</b>		<b>584,458,704</b>	<b>100.00</b>

### DISTRIBUTION OF SHAREHOLDINGS (AS AT 17 FEBRUARY 2016)

RANGE	ORDINARY SHARES	%	NO. OF HOLDERS
100,001 and Over	563,569,801	96.44	70
10,001 to 100,000	13,167,785	2.25	528
5,001 to 10,000	3,466,682	0.59	500
1,001 to 5,000	3,703,076	0.63	1,930
1 to 1,000	551,360	0.09	1,329
<b>Total</b>	<b>584,458,704</b>	<b>100.00</b>	<b>4,357</b>
<b>Unmarketable Parcels</b>	<b>0</b>	<b>0.00</b>	<b>0</b>

### SUBSTANTIAL SHAREHOLDINGS

SHAREHOLDER	ORDINARY SHARES DISCLOSED IN THE LAST NOTICE
FIL Limited	22,815
FIL Investment Management (Australia) Limited	29,732,069
Bain Capital Abacus Holdings, L.P.	356,135,364

### ESCROW

As at 17 February 2016, a total of 356,135,364 Ordinary shares were subject to voluntary escrow. The date on which these shares will be released from escrow is dependent on a number of factors, as explained at section 7.9 of the Prospectus, which can be accessed through the Investor Centre section of our website: <http://investors.myob.com.au/Investors/>

### 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.

### NO ON-MARKET BUY-BACK

There is no current on-market buy-back.



## SHAREHOLDER INFORMATION (CONTINUED)

### UNLISTED PERFORMANCE SHARES

As at 17 February 2016, there were a total of 21,102,198 unlisted Performance shares on issue.

#### SHAREHOLDING DISTRIBUTION SCHEDULE

RANGE	SECURITIES	%	NO. OF HOLDERS
100,001 and Over	20,085,751	95.18	40
10,001 to 100,000	1,016,447	4.82	18
5,001 to 10,000	–	–	–
1,001 to 5,000	–	–	–
1 to 1,000	–	–	–
<b>Total</b>	<b>21,102,198</b>	<b>100.00</b>	<b>58</b>

#### PERSONS HOLDING 20% OR MORE OF AN UNQUOTED CLASS OF SECURITIES

As at 17 February 2016, there were a total of 21,102,198 unlisted Performance shares on issue.

#### VOTING RIGHTS

Performance shareholders have no voting rights (subject to any rights under the Corporations Act and ASX Listing Rules, to the extent such rights cannot be excluded).

# Corporate directory



## COMPANY'S REGISTERED OFFICE

### MYOB Group Limited

Level 3, 235 Springvale Road  
Glen Waverley, VIC, 3150, Australia  
Telephone: +61 3 9222 9777

## SHARE REGISTRY

### Link Market Services Limited

Level 12, 680 George Street  
Sydney, NSW, 2000, Australia  
Telephone: +61 1300 554 474

## AUDITOR

### PricewaterhouseCoopers

Freshwater Place, 2 Southbank Boulevard,  
Southbank, VIC, 3006, Australia

