



MYOB GROUP LIMITED ABN 61 153 094 958

APPENDIX 4D – HALF YEAR REPORT GIVEN TO ASX UNDER LISTING RULE 4.2A.3 FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2016

| 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: 6 month period ended 30 June 2016

Previous corresponding period: 6 month period ended 30 June 2015

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | Up/down | % change | 2016 \$'000 | 2015 \$'000 |
|--|---------|------------------|----------------|----------------|
| Revenue from ordinary activities | Up | 10.9% | 178,262 | 160,707 |
| Profit / (Loss) from ordinary activities after tax for the period, attributable to members | Up | refer note below | 26,020 | (65,043) |
| Net Profit / (Loss) for the period attributable to members | Up | refer note below | 26,020 | (65,043) |

Brief explanation of any of the figures reported above necessary to enable the figures to be understood: The business has generated a profit for the 6 month period ending 30 June 2016 compared to a loss for the 6 month period ending 30 June 2015 and therefore the calculation of any percentage change is not meaningful. Refer to the Directors' Report within the attached Financial Report.

3. NET TANGIBLE ASSETS PER SECURITY

| | 6 month period ended 30 June 2016 | 6 month period ended 30 June 2015 | % change |
|----------------------------------|---|---|----------|
| Net tangible assets per security | (0.58) | (0.68) | 14.0% |

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

4. DIVIDENDS AND DISTRIBUTIONS

There was a final ordinary dividend payment of \$29.2million (5.0 cents per fully paid Ordinary share) paid on 5 April 2016 out of the undistributed profit reserve.

On 25 August 2016, the directors declared an unfranked interim dividend of 5.50 cents per fully paid Ordinary share to be paid on 20 October 2016 to shareholders registered at the record date on 5 October 2016.

5. OTHER INFORMATION

Details of entities over which control has been gained or lost during the period: N/A

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

Any other information required pursuant to ASX Listing Rule 4.2A not contained in this Appendix 4D is found in the attached Financial Report.

MYOB Group Limited ABN 61 153 094 958

Registered office: Level 3, 235 Springvale Road, Glen Waverley, VIC 3150



MYOB Group Limited

ACN 153 094 958

Interim Financial Report

FOR THE HALF-YEAR ENDED 30 JUNE 2016

Contents

| | | |
|--|--|--|
| | | Page |
| Directors' report | | 1 |
| Auditor's independence declaration | | 3 |
| Financial statements | | |
| Consolidated income statement | | 4 |
| Consolidated statement of comprehensive income | | 5 |
| Consolidated balance sheet | | 6 |
| Consolidated statement of changes in equity | | 7 |
| Consolidated statement of cash flows | | 8 |
| Notes to the financial statements | | |
| Basis of preparation and significant policies | 1 Corporate information PAGE 9 | 2 Basis of preparation PAGE 9 |
| Operating performance | 3 Segment information PAGE 11 | |
| Capital and borrowings | 4 Interest bearing loans and borrowings PAGE 13 | 5 Issued capital PAGE 14 |
| Other | 6 Earnings per share PAGE 15 | 7 Dividends paid PAGE 16 |
| Items not recognised in financial statements | 8 Contingent liabilities PAGE 16 | 9 Events after balance sheet date PAGE 16 |
| Directors' declaration | | 17 |
| Independent auditor's review report | | 18 |

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 half-year ended 30 June 2016. Throughout the report, the consolidated entity is referred to as "the Group".

DIRECTORS

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

Justin Milne - Independent Non-Executive Director, Chairman
Tim Reed - Executive Director, Chief Executive Officer
Andrew Stevens - Independent Non-Executive Director
Anne Ward - Independent Non-Executive Director
Craig Boyce - Non-Executive Director
Paul Edgerley - Non-Executive Director

PRINCIPAL ACTIVITIES

During the half-year, the principle activities of the Group consisted of:

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

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

DIVIDENDS

There was a final ordinary dividend payment of \$29.2million (5.0 cents per fully paid Ordinary share) paid on 5 April 2016 out of the undistributed profit reserve.

REVIEW OF OPERATIONS

For the half-year ended 30 June 2016 the Group reported statutory operating revenue from continuing operations of \$178.3 million (2015 half-year period: \$160.7 million). The Group's statutory profit from continuing operations before income tax, finance expenses, depreciation and amortisation was \$79.0 million (2015 half-year period: \$47.4 million) and its statutory net profit after tax was \$26.0 million (2015 half-year period net loss: (\$65.0 million)).

In the ASX listing prospectus, the Group reported financial results and forecasts on a pro forma basis. Pro forma adjustments reflect the impact of the operating and capital structure in place following completion of the IPO as if it was in place as at 1 January 2015. In addition, certain other adjustments are made to pro forma figures to eliminate non-recurring items such as significant expenses relating to the ASX listing and costs incurred around changes to MYOB's capital and funding structure as well as to reflect standalone public company costs.

For the half-year ended 30 June 2016 the Group reported pro forma operating revenue from continuing operations of \$178.3 million (2015 half-year period: \$160.7 million). The Group's pro forma profit from continuing operations before income tax, finance expenses, depreciation and amortisation was \$82.0 million (2015 half-year period: \$71.7 million) and its pro forma net profit after tax was \$26.2 million (2015 half-year period: \$19.8 million).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There was no other significant change in the state of affairs of the Group during the half-year ended 30 June 2016.

MATTERS SUBSEQUENT TO THE END OF THE PERIOD

On 25 August 2016, the directors declared an unfranked interim dividend of 5.50 cents per fully paid Ordinary share to be paid on 20 October 2016 to shareholders registered at the record date on 5 October 2016.

On 1 August 2016, MYOB Finance NZ Limited, a subsidiary of the Group signed an agreement to purchase Hei Matau Holdings 2000 Limited, the ultimate shareholder of the Greentree group of companies for a total consideration of NZ\$28.5m to be funded from the Group's existing cash reserves.

There are no other significant events noted after the balance sheet date.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING OF AMOUNTS

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

TAX CONSOLIDATION

The Group and its 100% owned Australian subsidiaries are a tax consolidated group.

AUDITOR

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

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



Justin Milne
Chairman



Tim Reed
Executive director and Chief Executive Officer

Sydney, 25 August 2016



Auditor's Independence Declaration

As lead auditor for the review of MYOB Group Limited for the half-year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. no contraventions of any applicable code of professional conduct in relation to the review.

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

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

Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
25 August 2016

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

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated income statement

FOR THE HALF-YEAR ENDED 30 JUNE 2016

| | Half-year | |
|---|----------------|-----------------|
| | 2016 \$'000 | 2015 \$'000 |
| Revenue | 178,262 | 160,707 |
| Expenses | | |
| Staff related | (61,998) | (58,521) |
| General office / administration | (15,134) | (14,199) |
| Direct materials | (6,948) | (5,636) |
| Royalties | (1,375) | (1,243) |
| Reseller commissions | (4,802) | (4,282) |
| Marketing | (5,987) | (4,390) |
| Other expenses | (3,051) | (25,061) |
| Depreciation and amortisation expenses | (36,779) | (34,269) |
| Net finance costs | (7,843) | (111,477) |
| Profit / (loss) from operations before income tax | 34,345 | (98,371) |
| Income tax benefit / (expense) | (8,325) | 33,328 |
| Profit / (loss) from operations after income tax | 26,020 | (65,043) |
| Profit / (loss) for the period is attributable to: | | |
| Owners of MYOB Group Limited | 26,020 | (65,043) |
| | Cents | Cents |
| Earnings per share for profit / (loss) attributable to ordinary equity holders of MYOB Group Limited | | |
| Basic earnings per share | 4.45 | (15.37) |
| Diluted earnings per share | 4.30 | (15.37) |

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

Consolidated statement of comprehensive income

FOR THE HALF-YEAR ENDED 30 JUNE 2016

| | Half-year | |
|--|----------------|-----------------|
| | 2016 \$'000 | 2015 \$'000 |
| Profit / (loss) from operations after income tax | 26,020 | (65,043) |
| Other comprehensive income / (loss) | | |
| Foreign currency translation | 1,042 | (3,345) |
| Change in fair value of cash flow hedges | - | 197 |
| Other comprehensive income / (loss) for the period, net of tax | 1,042 | (3,148) |
| Total comprehensive income / (loss) for the period | 27,062 | (68,191) |
| Total comprehensive income / (loss) for the period is attributable to: | | |
| Owners of MYOB Group Limited | 27,062 | (68,191) |

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

Consolidated balance sheet

AS AT 30 JUNE 2016

| | Notes | 2016 June \$'000 | 2015 December \$'000 |
|---------------------------------------|-------|------------------------|----------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 57,781 | 36,384 |
| Trade and other receivables | | 13,315 | 12,719 |
| Inventories | | 327 | 536 |
| Other current assets | | 55,119 | 13,177 |
| Current tax receivables | | - | 1,409 |
| Total current assets | | <u>126,542</u> | <u>64,225</u> |
| Non-current Assets | | | |
| Investments | | 18,525 | 18,525 |
| Property, plant and equipment | | 19,691 | 15,176 |
| Intangible assets | | 1,200,831 | 1,218,990 |
| Deferred tax assets | | 56,455 | 62,525 |
| Total non-current assets | | <u>1,295,502</u> | <u>1,315,216</u> |
| TOTAL ASSETS | | <u>1,422,044</u> | <u>1,379,441</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | | 60,689 | 25,487 |
| Interest-bearing loans and borrowings | 4 | 473 | - |
| Unearned revenue | | 47,928 | 42,944 |
| Provisions | | 11,548 | 10,092 |
| Total current liabilities | | <u>120,638</u> | <u>78,523</u> |
| Non-current Liabilities | | | |
| Interest-bearing loans and borrowings | 4 | 434,270 | 432,711 |
| Provisions | | 5,746 | 4,930 |
| Total non-current liabilities | | <u>440,016</u> | <u>437,641</u> |
| TOTAL LIABILITIES | | <u>560,654</u> | <u>516,164</u> |
| NET ASSETS | | <u>861,390</u> | <u>863,277</u> |
| EQUITY | | | |
| Issued capital | 5 | 1,137,961 | 1,138,097 |
| Retained earnings | | (368,823) | (415,620) |
| Reserves | | 92,252 | 140,800 |
| TOTAL EQUITY | | <u>861,390</u> | <u>863,277</u> |

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

Consolidated statement of changes in equity

FOR THE HALF-YEAR ENDED 30 JUNE 2016

| | 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 2016 | 1,138,097 | 6,216 | - | 4,584 | 130,000 | (415,620) | 863,277 |
| Profit for the period | - | - | - | - | - | 26,020 | 26,020 |
| Other comprehensive income (net of tax) | - | 1,042 | - | - | - | - | 1,042 |
| Total comprehensive income for the period | - | 1,042 | - | - | - | 26,020 | 27,062 |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Management share scheme | - | - | - | 410 | - | - | 410 |
| Profit reserve | - | - | - | - | (50,000) | 50,000 | - |
| Dividend paid | - | - | - | - | - | (29,223) | (29,223) |
| IPO listing costs | (136) | - | - | - | - | - | (136) |
| At 30 June 2016 | 1,137,961 | 7,258 | - | 4,994 | 80,000 | (368,823) | 861,390 |
| At 1 January 2015 | 330,928 | 6,906 | (532) | 3,144 | - | (243,374) | 97,072 |
| (Loss) for the period | - | - | - | - | - | (65,043) | (65,043) |
| Other comprehensive income / (loss) (net of tax) | - | (3,345) | 197 | - | - | - | (3,148) |
| Total comprehensive income / (loss) for the period | - | (3,345) | 197 | - | - | (65,043) | (68,191) |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Management share scheme | - | - | - | 1,029 | - | - | 1,029 |
| Issue of share capital | 828,205 | - | - | - | - | - | 828,205 |
| IPO listing costs | (30,296) | - | - | - | - | - | (30,296) |
| At 30 June 2015 | 1,128,837 | 3,561 | (335) | 4,173 | - | (308,417) | 827,819 |

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

Consolidated statement of cash flows

FOR THE HALF-YEAR ENDED 30 JUNE 2016

| | 2016 June \$'000 | 2015 June \$'000 |
|---|------------------------|------------------------|
| | Notes | |
| Cash flows from operating activities | | |
| Receipts from customers | 200,817 | 179,865 |
| Payments to suppliers and employees | (123,189) | (111,053) |
| Finance cost - Secured bank loans / Subordinated Notes | (8,059) | (22,444) |
| Income tax (paid) | (8) | - |
| Interest received | 420 | 122 |
| Initial Public Offering costs (expensed) | - | (19,099) |
| Net cash flows from operating activities | <u>69,981</u> | <u>27,391</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (5,282) | (1,020) |
| Purchase of IP | (1,200) | (1,100) |
| Capitalised core systems development | (3,534) | (2,760) |
| Capitalised new product development | (9,776) | (3,977) |
| Payments for investments | - | (8,000) |
| Payment for acquisition of subsidiary, net of cash acquired | - | (12,321) |
| Net cash flows used in investing activities | <u>(19,792)</u> | <u>(29,178)</u> |
| Cash flows from financing activities | | |
| Shares issued | - | 828,021 |
| Repayment of borrowings | - | (1,035,176) |
| Interest paid on MRPS / Loan Notes | - | (193,413) |
| Proceeds from borrowings | - | 435,485 |
| Capital return | - | (1,404) |
| Debt refinancing costs | - | (2,136) |
| IPO Listing costs | - | (30,296) |
| Dividends paid by parent entity | (29,223) | - |
| Net cash flows from financing activities | <u>(29,223)</u> | <u>1,081</u> |
| Net increase / (decrease) in cash and cash equivalents | 20,966 | (706) |
| Net foreign exchange differences | 431 | (327) |
| Cash and cash equivalents at beginning of period | 36,384 | 5,044 |
| Cash and cash equivalents at end of period | <u><u>57,781</u></u> | <u><u>4,011</u></u> |

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

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 30 JUNE 2016

1 CORPORATE INFORMATION

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

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

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

Registered Office: Level 3, 235 Springvale Road, Glen Waverley, Victoria 3150.

The amounts represented in the financial statements have been rounded to the nearest thousand dollars.

2 BASIS OF PREPARATION

This consolidated interim financial report for the half-year reporting period ended 30 June 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

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.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2015.

The accounting policies adopted are consistent with those of the previous financial year.

2.1 COMPARATIVE INFORMATION

The Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows provide comparative information for the half-year ended 30 June 2016.

Where necessary, the comparatives have been reclassified to be consistent with the current year disclosures.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 30 JUNE 2016

2.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Group determines whether goodwill and intangibles 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 intangibles with indefinite useful lives are allocated.

(b) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient taxable temporary differences are expected to reverse in a future period. Deferred tax assets are also recognised for unused tax losses as management considers it is probable that future taxable profits will be available to utilise these tax losses over the next two years and that the tax losses will continue to be available under the tax loss carry forward rules of the Income Tax Assessment Act 1997.

For the half-year ended 30 June 2016, the Australian Group utilised a portion of the unused tax losses and is anticipating to utilise the remaining tax losses over the next two years.

(c) Useful life of intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Useful lives of Customer Relationships are estimated using a consistent methodology that takes into account past evidence such as historical retention rates. 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, and 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.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 30 JUNE 2016

3 SEGMENT INFORMATION

3.1 Description of segments

Management has determined the operating segments based on the reports reviewed by the Operational Business Review committee. The committee analyses the Group's activities by operating segments which are organised and managed separately according to the nature of the customers they service, with each segment offering different products and serving different markets. The committee reviews each of the operating segments down to contribution. The following summary describes the operations of each reportable segment.

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. Corporate provides shared services and research and development functions.

There are no significant transactions between segments.

3.2 Reporting Segments

Half-year 2016

| | SME Solutions \$'000 | Practice Solutions \$'000 | Enterprise Solutions \$'000 | Corporate (incl. R&D) \$'000 | Total \$'000 |
|---|-------------------------|------------------------------|--------------------------------|------------------------------------|-----------------|
| (a) Revenue | | | | | |
| Segment revenue | 112,757 | 42,786 | 22,184 | 535 | 178,262 |
| (b) Other profit and loss disclosures | | | | | |
| Direct materials / Royalties / Reseller Commissions | 7,983 | 655 | 4,472 | - | 13,110 |
| Staff related expenses | 21,472 | 9,132 | 6,100 | 25,294 | 61,998 |
| Other operating expenses | 6,173 | 2,164 | 799 | 11,999 | 21,135 |
| Contribution | 77,128 | 30,835 | 10,813 | (36,757) | 82,018 |
| Depreciation and amortisation | | | | | 36,779 |
| Other expenses | | | | | 3,051 |
| Finance costs | | | | | 7,843 |
| Gain before tax | | | | | 34,345 |

(c) Revenue by Country

| | Aust \$'000 | NZ \$'000 | Total \$'000 |
|-----------------|----------------|--------------|-----------------|
| Segment revenue | 147,261 | 31,001 | 178,262 |

(d) Non-current Assets by Country

| | Aust \$'000 | NZ \$'000 | Total \$'000 |
|-------------------------------|------------------|---------------|------------------|
| Investments | 18,525 | - | 18,525 |
| Property, plant and equipment | 17,548 | 2,143 | 19,691 |
| Intangible assets | 1,108,797 | 92,034 | 1,200,831 |
| Total | 1,144,870 | 94,177 | 1,239,047 |

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

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 30 JUNE 2016

3 SEGMENT INFORMATION (continued)

Half-year 2015

| | SME Solutions \$'000 | Practice Solutions \$'000 | Enterprise Solutions \$'000 | Corporate (incl. R&D) \$'000 | Total \$'000 |
|---|----------------------------|---------------------------------|-----------------------------------|------------------------------------|-----------------|
| (a) Revenue | | | | | |
| Segment revenue | 98,814 | 41,637 | 20,256 | - | 160,707 |
| (b) Other profit and loss disclosures | | | | | |
| Direct materials / Royalties / Reseller Commissions | 6,305 | 696 | 4,160 | - | 11,161 |
| Staff related expenses | 19,008 | 9,479 | 5,855 | 24,179 | 58,521 |
| Other operating expenses | 4,977 | 2,282 | 747 | 10,583 | 18,589 |
| Contribution | 68,524 | 29,180 | 9,494 | (34,762) | 72,436 |
| Depreciation and amortisation | | | | | 34,269 |
| Offer related adjustments and other transaction costs | | | | | 25,061 |
| Finance costs | | | | | 111,477 |
| (Loss) before tax | | | | | (98,371) |

(c) Revenue by Country

| | Aust \$'000 | NZ \$'000 | Total \$'000 |
|-----------------|----------------|--------------|-----------------|
| Segment revenue | 134,108 | 26,721 | 160,829 |

(d) Non-current Assets by Country

| | Aust \$'000 | NZ \$'000 | Total \$'000 |
|-------------------------------|------------------|---------------|------------------|
| Investments | 18,525 | - | 18,525 |
| Property, plant and equipment | 12,353 | 2,134 | 14,487 |
| Intangible assets | 1,140,956 | 81,601 | 1,222,557 |
| Total | 1,171,834 | 83,735 | 1,255,569 |

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

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 30 JUNE 2016

4 INTEREST BEARING LOANS AND BORROWINGS

CURRENT

| | 2016 June Maturity | 2015 December Maturity |
|-------------------------------|-----------------------------------|---------------------------------------|
| | \$'000 | \$'000 |
| Finance leases ⁽¹⁾ | 473 | - |
| | <u>473</u> | <u>-</u> |

NON-CURRENT

| | 2016 June Maturity | 2015 December Maturity |
|----------------------------------|-----------------------------------|---------------------------------------|
| | \$'000 | \$'000 |
| Secured bank loan ⁽²⁾ | 2019 435,086 | 2019 434,487 |
| Finance leases ⁽¹⁾ | 695 | - |
| Less: debt transaction costs | <u>(1,511)</u> | <u>(1,776)</u> |
| | <u>434,270</u> | <u>432,711</u> |

(1) On 4 Feb 2016, MYOB entered a 3 year commercial lease agreement with Dell Financial Services Pty Ltd for the refresh of its computer fleet.

(2) The Group's \$435.1 million (2015: \$434.5 million) bank debt is provided by a syndicate of five banks each holding between 18% and 21%. This debt is not repayable until the facility termination date in 2019.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 30 JUNE 2016

5 ISSUED CAPITAL

| | 2016 June \$'000 | 2015 December \$'000 |
|---|------------------------|----------------------------|
| (a) Issued and paid up capital | | |
| 584,458,708 Fully paid Ordinary shares (2015 - 584,458,701) | 1,137,961 | 1,138,097 |
| | <u>1,137,961</u> | <u>1,138,097</u> |

Terms and conditions of issued capital

Ordinary shareholders have the right to receive dividends as declared and, in the event of a winding up of the Company, 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 company.

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. Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may return capital to shareholders, issue new shares or sell assets to reduce debt.

On 7 May 2015, at the completion of the Group's Initial Public Offering (IPO), 230 million additional shares were issued.

(b) Movement in shares on issue

| | 2016 June | | 2015 December | |
|-----------------------------------|-------------------------|------------------|-------------------------|------------------|
| | No. shares Thousands | \$'000 | No. shares Thousands | \$'000 |
| Beginning of the reporting period | 584,459 | 1,138,097 | 354,771 | 330,928 |
| - issued during the year | - | - | 229,688 | 828,340 |
| - IPO listing costs | - | (136) | - | (21,171) |
| End of the reporting period | <u>584,459</u> | <u>1,137,961</u> | <u>584,459</u> | <u>1,138,097</u> |

(c) Performance shares

21,286,246 Performance shares were issued as part of the IPO 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. The number of shares into which the Performance shares may convert varies depending on the share price (refer 14.1 Appendix D Share Price Hurdle on page 203 of the prospectus) over a 20 business day consecutive VWAP (volume weighted average price) ending on the relevant testing dates (being 30 September 2016, 30 September 2017 and 30 September 2018). The maximum number of shares into which the Performance shares may convert is 21,286,246 (which would occur if the share price on the relevant testing date was at least \$5.30).

219,117 Performance shares were cancelled in the period between 31 December 2015 and 30 June 2016 as a result of management departures. No milestone was met in the reporting period as the relevant testing dates are in 2016, 2017 and 2018 as stated above.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 30 JUNE 2016

6 EARNINGS PER SHARE

| | <u>2016 June</u> | <u>2015 June</u> |
|---|----------------------|----------------------|
| Gain / (loss) attributable to ordinary equity holders of MYOB Group Limited (\$) | 26,019,670 | (65,043,000) |
| Weighted average number of Ordinary shares used as the denominator in calculating basic earnings per share (number of shares) | 584,458,705 | 423,285,609 |
| Basic earnings per share (cents) | 4.45 | (15.37) |
| Weighted average number of shares used as the denominator in calculating diluted earnings per share (number of shares) | 605,559,232 | 423,285,609 |
| Diluted earnings per share (cents) | 4.30 | (15.37) |

(i) 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.

(ii) Diluted earnings per share

Diluted earnings per share is calculated as net profit 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.

The Group incurred a loss for the six month period ending June 2015 and therefore did not include any Performance shares in the calculation of diluted earnings per share as their issuance would not have had a dilutive effect.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 30 JUNE 2016

7 DIVIDENDS PAID

| | 2016 June | | 2015 June | |
|---|-------------------------------|---------------|-------------------------------|--------|
| | cents per fully paid share | \$'000 | cents per fully paid share | \$'000 |
| Final unfranked dividend - prior financial year | 5.0 | 29,223 | - | - |
| | 5.0 | 29,223 | - | - |

There was a final ordinary dividend payment of \$29.2million (5.0 cents per fully paid Ordinary share) paid on 5 April 2016 out of the undistributed profit reserve.

8 CONTINGENT LIABILITIES

There are no contingent liabilities or contingent assets as at 30 June 2016.

9 EVENTS AFTER BALANCE SHEET DATE

On 25 August 2016, the directors declared an unfranked interim dividend of 5.50 cents per fully paid Ordinary share to be paid on 20 October 2016 to shareholders registered at the record date on 5 October 2016.

On 1 August 2016, MYOB Finance NZ Limited, a subsidiary of MYOB Group Limited signed an agreement to purchase Hei Matau Holdings 2000 Limited, the ultimate shareholder of the Greentree group of companies for a total consideration of NZ\$28.5m to be funded from the company's existing cash reserves.

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

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The financial statements and notes of the Group and consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group and its consolidated entity's financial position as at 30 June 2016 and of its performance for the period ended on that date; and
 - (ii) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



Justin Milne
Chairman



Tim Reed
Executive director and Chief Executive Officer

Sydney, 25 August 2016



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MYOB Group Limited (the company), which comprises the consolidated balance sheet as at 30 June 2016, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for MYOB Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MYOB Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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

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Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'Praveen Kumar', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Nadia Carlin', written in a cursive style.

Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
25 August 2016