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 2016

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

1. DETAILS OF THE REPORTING PERIOD

Reporting period: 12-month period ended 31 December 2016

Previous corresponding period: 12-month period ended 31 December 2015

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Up/down, $'000	% change	2016 $'000	2015 $'000
Revenue from ordinary activities	Up 42,640	13.01	370,417	327,777
Profit / (loss) from ordinary activities after tax for the period attributable to members	Profit up by 96,249	n/a	53,992	(42,257)
Profit / (loss) for the period attributable to members	Profit up by 98,062	n/a	55,647	(42,415)

Dividends per security	Cents per security	Franked amount per security (cents)
Interim 2016 dividend per security (paid 20 October 2016)	5.5	Nil
Final 2016 dividend per security declared	5.75	Nil

Final 2016 dividend dates	
Ex-dividend date	8 March 2017
Record date	9 March 2017
Payment date	5 April 2017

3. NET TANGIBLE ASSETS PER SECURITY

	% change	31 December 2016 cents per security	31 December 2015 cents per security
Net tangible assets per security	3.15%	(0.59)	(0.61)

Net tangible assets are defined as the net assets of MYOB Group Limited less intangible assets. On 30 September 2016, 14.9 million Performance shares were converted to Ordinary shares.

4. OTHER INFORMATION

On 1 August 2016, MYOB Finance NZ Limited, a wholly owned subsidiary of MYOB Group Limited, purchased Hei Matau Holdings 2000 Limited, the ultimate shareholder of the Greentree group of companies for a total consideration of NZD 28.5 million. Refer to the attached Annual report on page 65.

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.

2016 ANNUAL REPORT

myob simplify success

Contents

INTERACTIVE PDF

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

At MYOB we help businesses succeed. **It is a simple, but powerful vision that aligns everything we do.**

We understand that business isn't just business, it's personal. Every person who starts a business does so for a reason that is personal to them. Whatever the personal definition of success, we help people in business achieve it.

We do this by **developing intelligent, intuitive cloud based business management tools** which make business life easier for 1.2 million businesses across Australia and New Zealand.

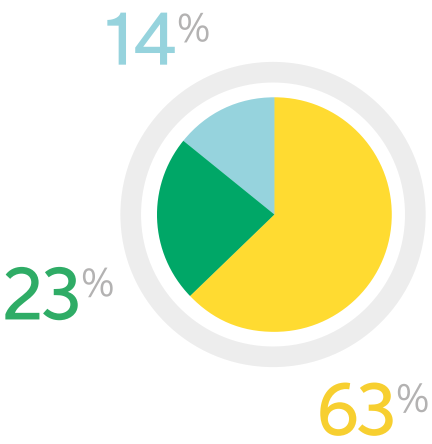
Over the next few years we will create an **unparalleled business management platform** which will seamlessly connect businesses of all sizes, their accounting partners and networks to create an eco-system of solutions. The MYOB Platform and the connections it will create will enable MYOB to deliver even more value to our clients, and, ultimately, **make every facet of business life easier**.

MYOB's operations are divided into three segments.

SME Solutions

Practice Solutions

Enterprise Solutions



Business revenue at MYOB is categorised into three segments, Small and Medium Sized Enterprise (SME), Practice Solutions and Enterprise Solutions.

Today over 85 per cent of business revenue comes from the SME and Practice Solutions segments, with strong growth occurring in Enterprise Solutions which we expect will continue to grow in future years.

Over the next few pages, we have set out an overview of each of the three business segments.

SME Solutions

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

MYOB launched a number of new and innovative products and connected services to SME clients in 2016, including:

- **PayDirect Online**, the ability to accept online payments straight from the invoice, resulting in faster payment and improved cashflow;
- **YourPay**, a mobile solution for employees to enter timesheets and receive payslips; and
- **PayAgent**, a service for New Zealand businesses which automates paying staff and meeting reporting requirements.

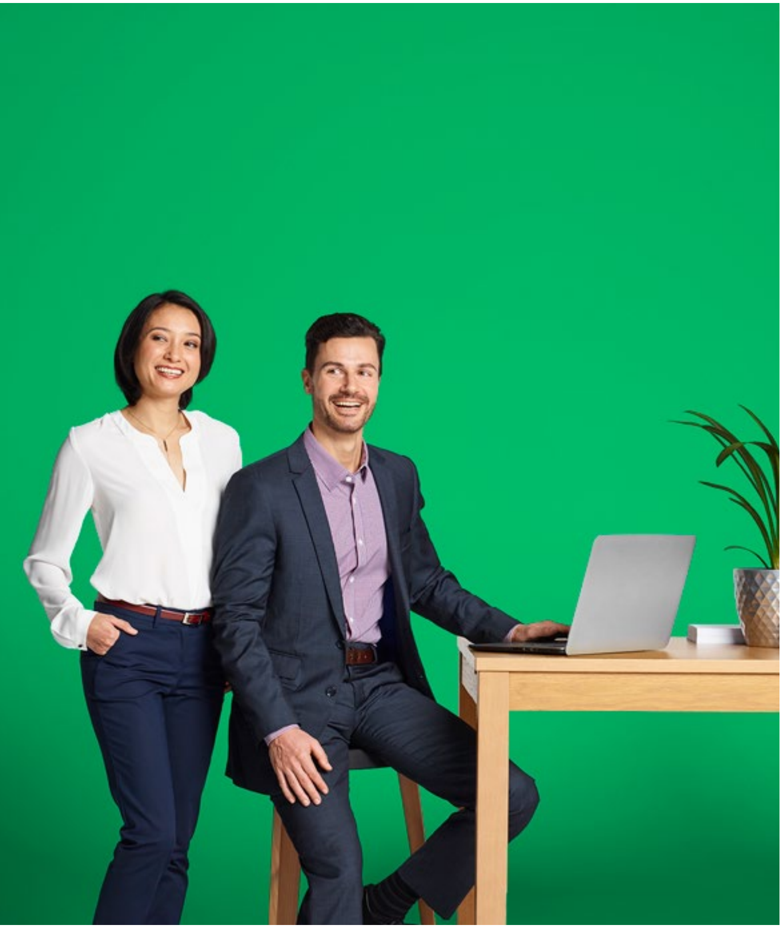
FY16 SME Revenue

$233M

↑ 14% from 2015

63% of Group Revenue

Practice Solutions



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

FY16 Practice Revenue

$86M

3% from 2015

23% of Group Revenue

In 2016, MYOB launched a number of new products to Practice clients, supporting our Connected Practice Strategy.

- In Transaction Processing we launched two key products – the **MYOB Dashboard,** providing a single view of all a practice's online SME clients and supporting simple on-boarding of new clients; and **Connected Ledger**, an efficient online ledger with MYOBs high quality bankfeeds enabling practices to grow their Transaction Processing clients.
- In Compliance, we were ready for the ATO changeover from Electronic Lodgment System to Practioner Lodgment service, improved client accounting with online Practice Ledger, providing a single consistent and efficient workflow for end of year compliance, as well as online Tax eGST and BAS lodgement tools.
- In Advisory, we continued to expand our eco-system of 3rd party partners covering reporting, budgeting, forecasting and modelling.

Enterprise Solutions

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

- **MYOB Advanced** is the fastest growing cloud native ERP and Payroll solution built for the Australian and New Zealand mid-market. MYOB Advanced is growing rapidly and becoming the majority of new ERP registrations in the Enterprise segment.
- **MYOB PayGlobal** has been powering complex payroll for over 20 years. MYOB PayGlobal reduces manual, repetitive tasks with a trusted, compliant and automated solution. MYOB PayGlobal is trusted by large organisations across Australia and New Zealand, such as Sydney Opera House, Country Road and Healthscope.
- **MYOB Greentree** was acquired in August 2016. Greentree helps companies to simplify success by delivering vital information on-demand, providing an instant snapshot of what their business is doing; today, yesterday and tomorrow. The acquisition of Greentree has provided new channels to market for our market-leading online Enterprise ERP systems.

FY16 Enterprise Revenue

$52M

26% from 2015

14% of Group Revenue

Our Strategic Priorites

MYOB has embarked upon a strategy to build a market leading platform which will deliver seamless connectivity between the SME, advisors and the broader accounting ecosystem.

Connected Practice

Lead our industry through a period of intense change by painting an inspiring view of the industry's future.

MYOB Platform

Deliver a platform which leverages network effects and brings to life the Connected Practice vision for accountants and SMEs.

Clients

Attract new, and upsell and retain existing clients by moving them online and making their business life easier through the adoption of connected services.

Brand

Align everything we do to deliver an inspired, authentic and in the know experience.

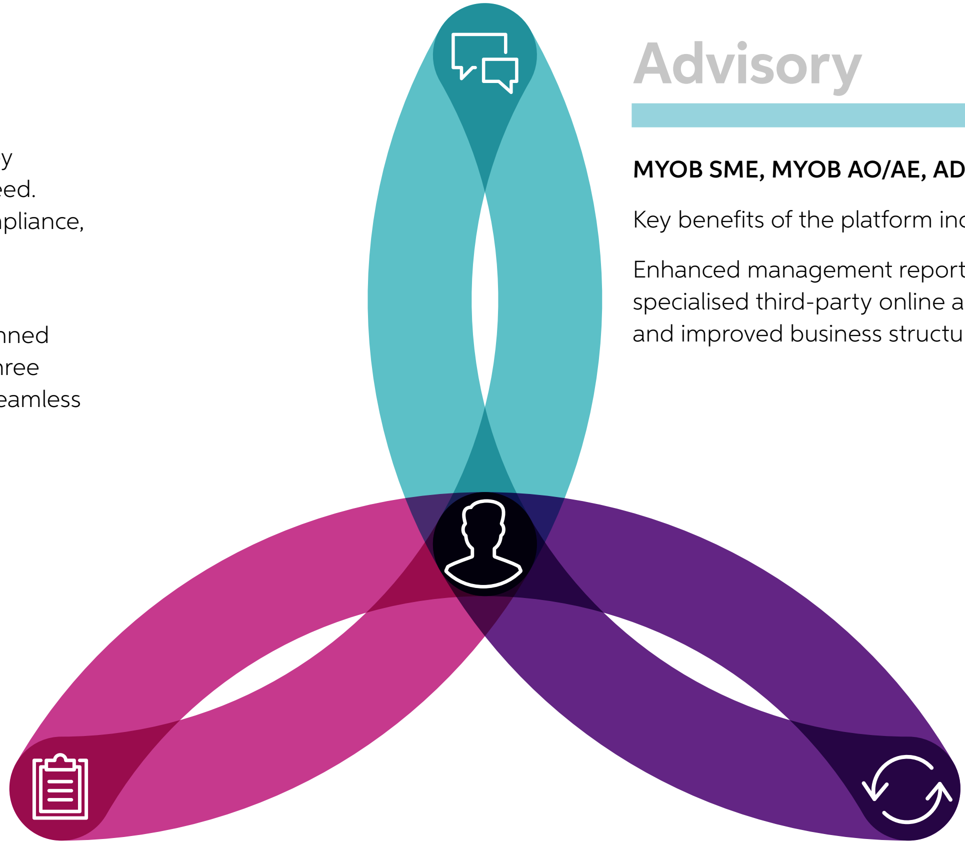
Bigger Business

Expand our Enterprise business by driving growth through our first-to-market cloud position, complemented with inorganic growth.

Connected Practice Strategy

Our Connected Practice Strategy forms a key part of our vision – to help businesses succeed. It creates efficiencies in three key areas: compliance, transaction processing and enables growth in advisory services.

The Connected Practice strategy is underpinned by our MYOB Platform which enables the three processes to run concurrently and creates seamless connectivity across each offering.



Advisory

MYOB SME, MYOB AO/AE, ADD-ON SOLUTIONS

Key benefits of the platform include:

Enhanced management reporting and planning, specialised third-party online advisory applications and improved business structure and tax planning.

Compliance

MYOB AO, MYOB AE, MYOB PRACTICE LEDGER

Key benefits of the platform include:

Reduced requirement for data cleansing, increased collaboration and streamlined statutory reporting.

Transaction Processing

MYOB CONNECTED LEDGER (BankLink)
MYOB ESSENTIALS, MYOB ACCOUNTRIGHT

Key benefits of the platform include:

Auto-reconciliation of clients' accounts, real-time access to client data and new revenue opportunities.

Financial Highlights

Continuing to deliver at record levels.

Revenue

$370M

13% year over year

Pro Forma EBITDA

$171M

12% year over year

Pro Forma NPATA

$97M

13% year over year

SME Paying Subscribers

585K

7% year over year

Online Subscribers

249K

47% year over year

% of New Clients Online (Q4)

92%

14% year over year

Dividend declared of
5.75¢ per share

Pro forma NPATA EPS of **16.5¢**

Recurring revenue up 0.5%
to **96%** of total revenue

Statutory EBITDA of **$164 million**
and NPAT of **$54 million**

Operational Highlights

Delivering on our Connected Practice Strategy and driving online growth from new and existing clients.

Successful Uptake of Connected Practice Strategy

Connected Practice Strategy well received by Accountants, who are pivotal to strategic success

Strong uptake of MYOB Practice Ledger, Portal and Dashboard

Considerable progress in developing MYOB Connected Ledger

MYOB Platform Development well underway

15.1 per cent of revenue invested in R&D

Investment in existing products held steady, all incremental investment in MYOB Platform

A suite of MYOB Platform Modules delivered to the market, with more to come

Continued Growth From New and Existing Clients

47 per cent growth in online subscribers with launch of MYOB Practice Ledger

7 per cent growth in SME paying users and 32 per cent growth in online SME users

Rapid uptake of online connected services, including the launch of PayDirect Online

Brand and Team Evolution

Continued evolution of brand & experience, with launch of new brand in H2 2016

Brand values and employee engagement at high levels

Award-winning team, with new Executive and Board members bringing industry expertise

Continuing to Grow Enterprise Share

Enterprise Solutions revenues growing quickly, becoming a more material part of the business

Strong uptake of MYOB Advanced

Seamless integration of Greentree

Opportunities for further inorganic growth

Chairman's Letter

MYOB is a leading provider of cloud based business management solutions to 1.2 million accountants, book-keepers and enterprises in Australia and New Zealand. Through innovation in technology and our strong trusted brand, we have maintained our leadership position and continued to grow in Australia and New Zealand, year after year.

On behalf of your Board of Directors, I am pleased to present our shareholders, MYOB Group's Annual Report for the financial year ending 31 December 2016.

2016 saw our first full year of public ownership. In a year where Australian technology stocks delivered 1.7 per cent growth as an index in 2016, MYOB outperformed this by 10.6 per cent and delivered robust financial results, with revenue up by 13 per cent, EBITDA up by 12 per cent and NPATA up by 13 per cent year on year.

In 2016 we continued to invest at record levels, spending $56 million on R&D, a large percentage of which was spent on the MYOB Platform, in line with our Connected Practice Strategy. In addition, we launched a number of platform modules to the market, including the Dashboard, Practice Ledger and Connected Ledger, all of which were very well received by our clients and new businesses.

The investment in product development combined with the relaunch of the MYOB brand (in Q4) resulted in record online subscriber growth – up 49,000 since June 2016 and well established, for continued growth and momentum in 2017.

In August 2016, we acquired Greentree, a profitable New Zealand enterprise software business which provides scale and access to a significant base of larger enterprises to MYOB. Furthermore, we successfully completed the integration of the two acquisitions from 2015, Ace Payroll and IMS both of which have contributed to group revenues in 2016.

Given the Company's strong financial position, the Board is pleased to declare a final dividend of 5.75 cents per share, representing a total of $68 million of capital returned to shareholders through the interim and final dividends in 2016, representing 72 per cent of statutory NPATA.

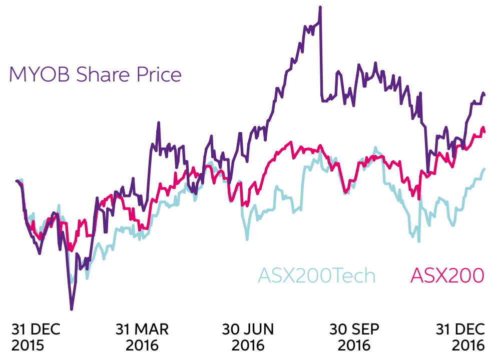
Looking ahead into 2017, we have a clear strategy in place to lead our industry through a period of change and innovation as we continue to focus on the development and delivery of the MYOB Platform to bring to life our Connected Practice Strategy.

I would like to thank our shareholders and our clients – the 1.2 million business owners and accountants in Australia and New Zealand who use our software every day and provide us with the feedback we need, to continue to deliver best in class accounting software and business solutions.

I would also like to thank the Board of Directors for their enthusiasm and commitment to the Company and our dedicated management team, led by CEO Tim Reed who have delivered excellent results and remain committed to continuing our trend of high growth and solid dividend return to investors.

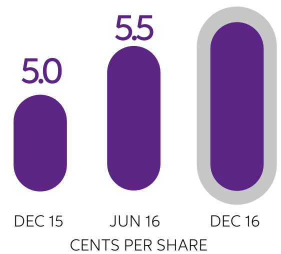
Justin Milne
Chairman

MYOB Share Price v ASX200Tech & ASX200 Indices



Final Dividend

5.75¢ per share



CEO's Letter

At MYOB, we help businesses succeed.

We are a strong team of 1400 – passionate, motivated and aligned people; all driven to make a difference and to have a positive impact on the working lives of our clients. We aim to create and deliver market leading business management tools that will raise the productivity of businesses across Australia and New Zealand – and in turn drive strong returns for our shareholders.

PLAY FY2016 RESULTS VIDEO: MESSAGE FROM CEO TIM REED

Dear Shareholder,

Last year, in my first letter addressed to shareholders, I took the time to outline one of our core values (Clients Drive our World), together with our 2015 annual results and accomplishments. This year I would like to continue this theme of sharing more about the MYOB DNA: who we are, what drives our success and what we've accomplished throughout the year that has just passed.

A Values Driven Business

I am a strong believer in the Peter Drucker quote that 'culture eats strategy for lunch' and this is one of the reasons that MYOB is, at its core, a values – based business.

Here at MYOB, we have six core values which distinguish us from others and form the basis of what we recognise and reward internally.

These values are:

- Clients – Drive our world
- Innovate – Find new ways
- Collaborate – We're better together
- Simplify – Make it easier
- Results – Achieve our goals
- Passion – Love your work

Our values are the foundation of our culture, and play a key role in us delivering on our vision, which is simply:
to help businesses succeed.

These six values represent what we need as a business to excel in the market and what we believe will enable us to have the biggest positive impact on the lives of our clients. I am pleased to recognise that in survey conducted late last year, with a team of 1400 people – that over 90 per cent of our employees knew our values and more importantly, understood what our values meant.

Authentic Brand and Innovative Culture

Within the walls of MYOB, a transformation has occurred over the past few years. Anyone looking at our corporate culture or walking around any MYOB workspace would agree.

With over 25 years' experience working with businesses, we understand our clients' needs, have continued to innovate and have developed a suite of online accounting solutions that drive our growth and gain great feedback from our growing network of SMEs, Accountants and Bookkeepers.

In line with these developments, in 2016 we made a bold step to rebrand our business, to ensure our brand identity and experience reflects the business we are today. The rebrand has been successful and importantly, positions MYOB as an online tech company with an offering that stretches beyond online accounting software and extends to offer first to market products such as mobile payments and POS solutions that are perfect for start-ups to bigger businesses.

At our Capital Markets Day held in November last year, I was pleased to share data and insight which confirmed once again, that in 2016, MYOB remained the accounting system of choice, recommended by more accountants than any other. We are confident that our brand is authentic to who we are, and aligned to our vision to help businesses succeed.

2016: A year of solid growth and accomplishments

In 2016, we achieved a number of important milestones across the business and delivered another year of record financial results. These are highlighted below.

Operational Highlights

- Connected Practice Strategy – well received by accountants, who remain pivotal to our strategic success
- MYOB Platform – development well underway with new modules launched (Online Dashboard, Connected Ledger and Practice Ledger) which are driving online adoption

CEO's Letter continued

Revenue

$370M
13% year over year

NPATA (Pro forma)

$97M
13% year over year

EPS (Pro forma)

16.5¢
12% year over year

- Strong client growth (new and existing) with 47 per cent growth in online subscribers; 7 per cent growth in SME paying users and 37 per cent growth in online SME users
- Strong uptake of connected services
- Acquisition and seamless integration of Greentree – extends mid-market leadership into larger enterprises;
- Strong uptake of MYOB Advanced
- Launch of new brand driving user growth
- New Executive and Board members join the team bringing relevant industry expertise and experience

Financial Highlights

- Revenues grew by 13 per cent
- NPATA increased by 13 per cent
- Pro forma NPATA EPS of 16.5 cents, up 12 per cent
- Recurring revenues increased to 96 per cent of total revenues
- $56 million invested into R&D
- Final dividend of 5.75c, up 15 per cent

In FY2016, our largest segment, small business revenues, continued to drive growth, accounting for 63 per cent of total revenues. Recurring revenues increased by 13 per cent reflecting stable retention rates and increase in the number of paying clients. In Q4 of 2016, we are pleased to report that 92 per cent of new small businesses that purchased a MYOB product purchased the online subscription. Full year impact of 2015 acquisitions (Ace Payroll and IMS) contributed 2 per cent to SME total revenues.

Accounting practices remain a strategic component of our overall solution set. In 2016 we continued our move to take practices online, releasing MYOB Ledger, the second online module. By the end of the year we had over 24,000 sets of accounts that had been moved online to MYOB Ledger, demonstrating solid uptake post launch of this offering.

Enterprise solutions remains a strong segment of growth for our business. In 2016 we acquired Greentree, which has been successfully integrated into the business and enhanced our growth in this division. We also closed the year with a milestone of 50 per cent of new enterprise ERP clients choosing MYOB Advanced, our cloud based ERP system.

2017 and Beyond

As technology continues to rapidly evolve, we will continue to focus and challenge ourselves in how this change will transform the future of accounting and effect day to day life for businesses.

There are four key industry shifts that we believe will drive change in this sector:

- **The Internet of Things and Mobile Devices** will mean that transactions are increasingly captured electronically as they occur;
- **Machine learning and artificial intelligence** will automate a large portion of the data entry and coding required for transactions, dramatically reducing the amount of labor involved in accounting;

- **Service (people)** will augment technology to ensure seamless delivery to clients; and
- **Advisory** tools that allow insight into business performance, will flourish.

We remain cognisant of this evolution and believe the combined future impact of these changes will lead to small business owners increasingly relying upon a trusted adviser to complete all remaining human tasks required to complete the accounts; enable these advisers to become vastly more efficient than they are today; and allow them to spend more time assisting small business owners to make more informed decisions and build stronger businesses. In such a world small businesses will flourish.

If is for this reason, MYOB has embarked upon the **Connected Practice Strategy** to deliver seamless connectivity between the SME, advisors and the broader accounting ecosystem through the building of an intelligent, intuitive platform – **The MYOB Platform.**

The MYOB Platform – development well underway and gaining positive traction

In line with how we envisage the industry evolving, we believe small business accounting, and practice management software categories will merge into one. Having serviced both these areas for many years – we have for the past 18 months, been building a unified platform with embedded capabilities and functionalities to ensure we are ready to seize this opportunity as it arises.

To date, we have had overwhelming positive feedback as we shared our vision with over 10,000 accountants and bookkeepers at our annual roadshow, called Incite in early 2016. We took the opportunity to present how the systems they used today will evolve over time, and how the Connected Practice strategy aims to both automate the accountants' processes and collaboration tools, as well as increase their clients' (SMEs) adoption of online accounting.

Building the MYOB Platform will take a number of years, but we are well underway and are confident that the upside will be considerable. Our leadership position with SMEs and Accountants places us in a strong position to succeed with the opportunity to extend the platform to new, connected services, which in turn will increase the lifetime value of a client.

Thank you

I would like to thank each of our shareholders for your continued loyalty and support.

I am excited about the future and the opportunity that lies ahead for further growth and continued success for our clients and our business. We have in place a clear strategy and plan of what we need to deliver and I look forward to providing you with further updates as the year progresses.

Tim Reed
Chief Executive Officer

Brand

The success of our brand is built on alignment between our brand, vision and values. Our brand will continue to grow, as we evolve for the next generation.

MYOB has been well known for 25 years as a highly respected Australian and New Zealand brand. However through analysis conducted in 2015, it became clear that although we have evolved alongside the rest of the sector as a business, from a brand perspective we needed reposition our brand externally. To this end we have invested in our brand so that it better reflects who we are today: an innovative technology company that extends far beyond accounting software and offers a range of online business management solutions that enable businesses to succeed.

In 2016 we commenced a Brand Transformation and Repositioning strategy which has already successfully helped us to shift external brand perceptions. We invested in marketing activities across all touchpoints, to ensure high awareness of new MYOB online products, prompting people who know us to take a fresh look – and those who don't, to consider us. To reposition and differentiate the MYOB brand in market, we have introduced new visual elements to the brand, including a new logo and positioning line. We also invested across the business to significantly change experiences throughout the customer lifecycle and across other touchpoints such as our digital channels and website, face to face sales channel, digital sales enablement, collateral and support services.

In support of this we have launched our new brand to market in ways that are unexpected for MYOB including: being the first brand to launch from space, partnering with BlueChilli, Kate Peck, iManifest, Wade Institute, and introducing fresh and bold new visual assets. We aim to be brave and differentiate ourselves, to reposition us as a modern and innovative tech company, that is doing things boldly.

All these changes have had the benefit of helping directly align MYOB with innovation, future, forward thinking and leadership, as well as showcasing the range of MYOB products that help businesses big and small succeed.

Product Innovation

At MYOB, we are constantly working to innovate and simplify our products to help businesses succeed and 2016 was a stellar year for MYOB in this regard.

In May, the organisation opened the doors of its state of the art 'Innovation Hub' in Richmond, Victoria (an area known as 'Silicon Richmond') with a view to making business life easier for the 217 leading product developers now working there. The working space was designed with heavy staff input and reflects the very latest innovations in collaborative tech workspaces from around the globe.

Below we highlight three other key innovations which occurred during 2016.

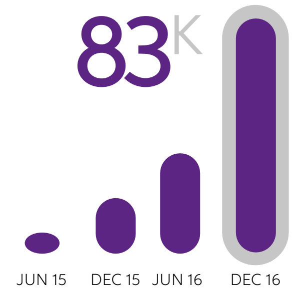
The launch of MYOB PayDirect Online, a market first, is one of MYOB's key innovations released in 2016. This release reinforces the company's continued advancement, evolving with the changing nature of payment trends. Online payments are fast becoming the preferred bill payment method with over 16 million credit cards and over 41 million debit cards in Australia used to pay invoices, utility bills, online purchases and business to business payments.

With PayDirect Online, SME's now have the ability to raise an invoice and email it instantly to a customer. When their customer views the invoice, they're able to pay it online directly from the invoice. Once the payment is finalised, the accounts are updated automatically, saving SMEs time on manual data entry. PayDirect Online is available as a native feature in online accounting solutions MYOB AccountRight and MYOB Essentials so users are not required to sign up to a third – party service.

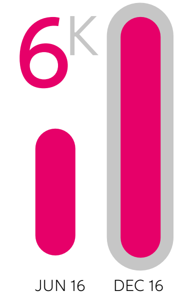
MYOB also invested in broadening the range of SME clients to whom an accountant can offer a bureau service by launching an online 'Accounting Dashboard'. By viewing the dashbord, an accountant can gain a single view across all of their SME's MYOB Cloud Accounting solutions, no matter the sophistication of the SME business type. This dashboard means that the accounting practice has the ability to offer bureau services, efficiently, across large numbers of SME clients, offering a mix and match of bank reconciliation, payroll, statement run, debt collection, creditor payment recommendations and quarterly BAS + PAYG. The development of the dashboard reduces administration time, increase collaboration, and improves accuracy of data and is a strong reflection of how innovative product development at MYOB is delivering results for both accountants and their clients.

In 2016, MYOB also continued its investment in innovative online solutions for bigger businesses via MYOB Advanced. MYOB enhanced the customer experience by adding a host of new features on to the platform. This included MYOB Advanced Customer Portal, which simplifies the customer administration for businesses by providing a portal where customers can view invoices, statements and place orders. MYOB Advanced OnTheGo, a mobile app for Apple iOS and Google Android that provides ERP & CRM functionality to users anywhere any time. MYOB Advanced has exceeded market expectation across the Australia and New Zealand and is now positioned as the fastest growing cloud ERP solution for the mid-market.

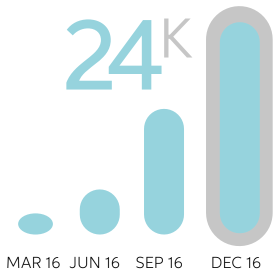
MYOB Portal (clients using)



MYOB Dashbord (practices using)



MYOB (Practice) Ledger



Executive Management Team

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

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 CHIEF FINANCIAL OFFICER

Richard Moore joined MYOB in April 2012 in the role of Chief Financial Officer and General Manager, Shared Services. During his time with MYOB, Richard has overseen the company's transition from private to public ownership, with the ASX's largest technology IPO in May 2015. 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.

Andrew Birch GENERAL MANAGER, INDUSTRY SOLUTIONS

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.

Natalie Feehan GENERAL MANAGER, MARKETING

Natalie Feehan joined MYOB in May 2015 as General Manager, Marketing. Natalie has more than 15 years of marketing experience, with seven years senior management experience. Prior to joining MYOB, Natalie held a number of senior marketing positions at REA Group, including most recently Group Manager, Marketing Strategy. Natalie also worked as Assistant Brand and CRM Manager for BMW. Natalie holds a Bachelor of Business (Marketing, Human Resource Management) and a Master of Commerce from Swinburne University of Technology.

Adam Ferguson GENERAL MANAGER, ENGINEERING & EXPERIENCE

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.

Executive Management Team continued

Alla Keogh GENERAL MANAGER, PEOPLE AND PERFORMANCE

Alla Keogh joined MYOB in January 2015 as Head of People & Performance. Alla has over 15 years of human resources (HR) experience in the technology and professional services sectors. Prior to joining MYOB, Alla held HR director positions at HR software services provider NGA.NET, insurance comparison website company iSelect, and Deloitte. She has also held generalist HR roles at Unisys, PA Consulting and Arthur Andersen. In addition to organisational development and HR operations, Alla has led the HR workstreams of significant mergers and acquisitions and business process outsourcing engagements. Alla holds a Master of Applied Commerce (Organisational Change), postgraduate qualifications in employee and industrial relations from the University of Melbourne and a Bachelor of Arts from Monash University.

Carolyn Luey GENERAL MANAGER, ENTERPRISE SOLUTIONS AND NEW ZEALAND

Carolyn Luey joined MYOB in January 2017. She has over 15 years of experience in strategy, marketing, product management, business development and digital media across a range of industries. Prior to joining MYOB, she held executive roles at NZME as Chief Operating Officer and Group Strategy and Operations Director. Carolyn also spent 8 years at Telecom New Zealand in marketing, strategy and product roles. Carolyn holds a Bachelor of Commerce Honours in Marketing from the University of Auckland.

John Moss CHIEF STRATEGY OFFICER

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.

James Scollay GENERAL MANAGER, SME 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.

David Weickhardt GENERAL MANAGER, EX - PRODUCT DEVELOPMENT

David joined MYOB in November 2016 as General Manager, Product. David brings more than 15 years senior management experience, having worked with BHP Billiton, the world's leading resources company and McKinsey and Co. where he was an associate partner working in Australia, the UK and Middle East. David has an MBA from Stanford University (where he was a Siebel Scholar) and degrees in Computer Science and Electrical/Electroncis Engineering from the University of Melbourne, including winning a university award for his work on artificial intelligence.

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/CGS16

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 seven directors, with six non-executive directors (four of which are independent).

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

Andrew Stevens was appointed non-executive director of MYOB since 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 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

INDEPENDENT NON-EXECUTIVE DIRECTOR

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 other 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

NON-EXECUTIVE DIRECTOR

Craig Boyce is a retired Bain Capital Managing Director and a non-executive director of MYOB since 2011. Craig previously served as a NED at Retail Zoo, the parent company of Boost Juice Bars, as well as at FLEETCOR, a leading global provider of fleetcards and specialty payments to businesses. Throughout his 18 year tenure at Bain Capital, Craig was involved in key investments, including IP-based video surveillance provider Uniview, after-school English language program 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, Craig spent two years at Bain & Company. Craig 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.

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Paul Edgerley

NON-EXECUTIVE DIRECTOR

Paul Edgerley was a Managing Director at Bain Capital from 1990 until his retirement in January 2016. Since retiring he serves as a Senior Advisor to Bain Capital and a number of Bain's portfolio companies. He also serves as a Managing Director of VantEdge Partners, a private investment firm. Paul has served as a NED of MYOB since 2013 and currently serves as a NED and Chairman of the Board of NYSE-listed Sensata Technologies, as a NED of dual-listed (Bombay Stock Exchange and National Stock Exchange of India) Hero MotoCorp and the Boston Celtics. On behalf of Bain Capital, Paul serves as NED of Apex Tool Group and TI Automotive and FTE Automotive. Prior to joining Bain Capital (1988), Paul spent five years at Bain & Company, where he worked as a consultant and manager. Paul holds a Master of Business Administration, with Distinction, from Harvard Business School and a Bachelor of Science from Kansas State University.

Fiona Pak-Poy

INDEPENDENT NON-EXECUTIVE DIRECTOR

Fiona Pak-Poy joined the MYOB Board in January 2017. She has been an executive, advisor and venture capital investor in companies from high tech start-ups to ASX 50 and Fortune 500 companies in a wide array of industries including financial services, healthcare, telecom and manufacturing. Fiona is a non-executive director of several other leading companies, all with a focus on technology and innovation including media analytics company Isentia (ASX:ISD), SIRCA(Securities Institute Research Centre of Asia Pacific) and the Sydney School of Entrepreneurship. She is also a committee member of the Federal Government's 'Biomedical Translation Fund'. She has an Honours Degree in Engineering from the University of Adelaide and a Masters Degree in Business Administration from Harvard Business School.

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 2016.

This OFR is designed to assist shareholders in understanding 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 2016 to 31 December 2016, including the comparative prior period and includes pro forma numbers for FY16 and FY15 prepared on the same basis as presented in the IPO Prospectus. The pro forma adjustments in FY15 and FY16 reflect the impact of historical acquisitions and divestments, MYOB's operating and capital structure following IPO completion, elimination of certain non-recurring items and 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 the analysis below is reported on a pro forma basis, with a reconciliation back to statutory results in section 1.2. Proforma reporting will not be required in the FY17 annual report.

1. COMPELLING FINANCIAL RESULTS

MYOB has delivered a year of strong, double digit growth with pro forma Revenue, EBITDA and NPATA for FY16 increasing by at least 12 per cent from FY15. 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 5.75c per share to be declared for 2H16. Table 1 contains a high-level view of MYOB's financial results. A detailed analysis of this performance is provided over the following page.

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 $96.8 million against the pro forma result for FY15 of $85.9 million. The pro forma adjustments for FY16 and FY15 are reconciled back to the statutory result in table 3.

The driver of improved NPATA against the pro forma result for FY15 was primarily increased EBITDA. Pro forma NPATA grew at 13 per cent, broadly in line with the pro forma EBITDA growth.

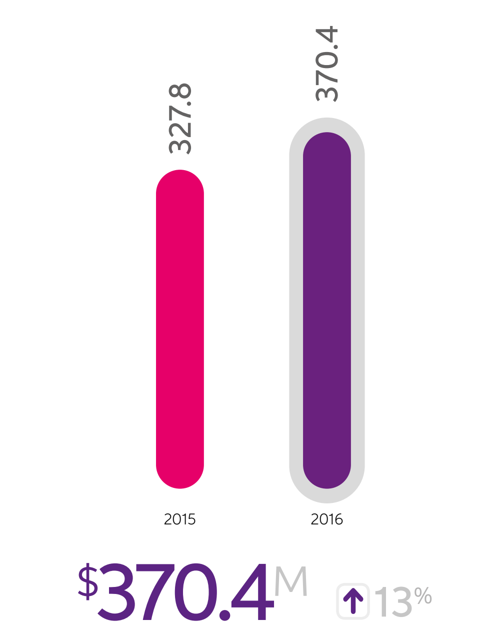
Table 1: Pro forma financial results

A$M; 12 MONTHS ENDED 31 DECEMBER	FY15	FY16	V FY15
Revenue	327.8	**370.4**	13%
EBITDA	152.9	**171.5**	12%
NPAT	45.2	**56.6**	25%
NPATA	85.9	**96.8**	13%

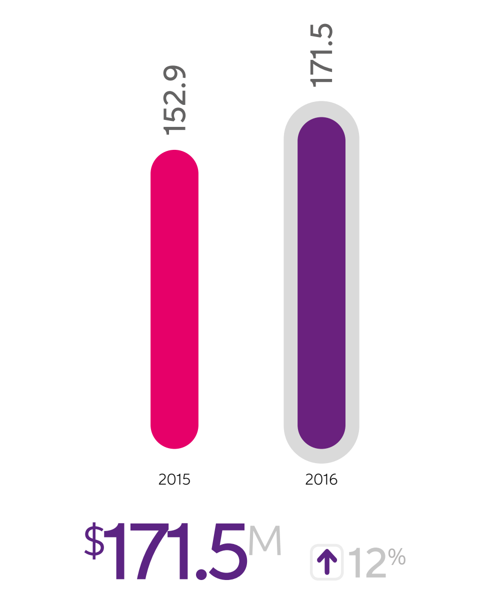
Table 2: Statutory financial results

	FY15	FY16	V FY15
Revenue	327.8	**370.4**	13%
EBITDA	124.2	**164.3**	32%
NPAT	(42.3)	**54.0**	N/A
NPATA	(1.6)	**94.2**	N/A

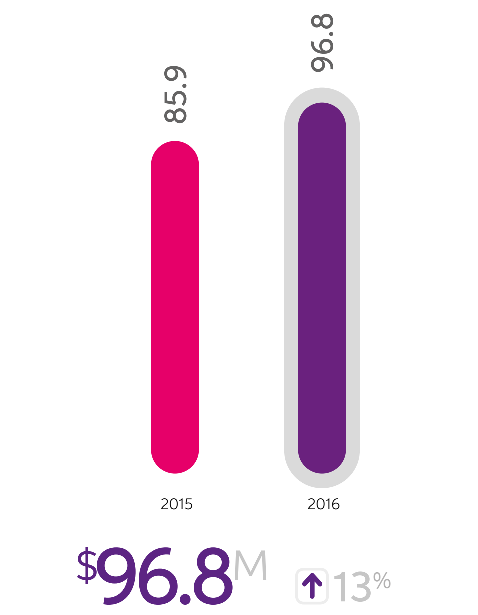
Revenue



EBITDA



NPATA



1.2 PRO FORMA ADJUSTMENTS TO STATUTORY RESULTS FOR FY15 AND FY16 NPAT AND EBITDA

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

		NPAT		EBITDA	
$ IN MILLIONS	**NOTE**	**FY 15**	**FY16**	**FY 15**	**FY16**
Statutory Result		**(42.3)**	**54.0**	**124.2**	**164.3**
Public company costs	1	(0.7)	–	(0.7)	–
Net interest adjustment	2	103.5	–	–	–
Acquisition transaction and integration costs	3	5.0	4.2	5.0	4.2
Offer related adjustments and other transaction costs	4	20.3	0.2	20.3	0.2
Business transformation one-off costs	5	1.7	0.9	1.7	0.9
Other non-recurring adjustments	6	2.3	1.7	2.3	1.7
Tax effect of pro forma adjustments	7	(39.7)	(2.1)	–	–
Difference between statutory and proforma tax rate	8	(5.1)	(2.4)	–	–
Total pro forma adjustments		**87.5**	**2.6**	**28.7**	**7.1**
Pro forma Result		**45.2**	**56.6**	**152.9**	**171.5**

Notes to table 3:

1. 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. No adjustment in FY16.
2. 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 FY15 Results 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. No adjustment in FY16.
3. An adjustment has been made to remove one-off transaction costs, redundancy and integration costs relating to the acquisitions of PayGlobal, Ace Payroll, IMS and Greentree that were expensed in the FY15 and FY16 Statutory Results.
4. 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 Results. Adjustment has also been made in the FY15 results 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. FY16 adjustment relates to the payment of final IPO-related fees.
5. Adjustment to remove the impact of business transformation initiatives and costs including redundancy payments and costs of implementing a new HR information system.
6. Adjustment to reverse the impact of other one-off and non-recurring items that were expensed in the FY15 and FY16 Statutory Results. In FY15 these included costs associated with a 'pilot' campaign to test the effectiveness of brand advertising which did not generate directly attributable incremental revenues, and in FY16, expenditure on the one-off MYOB brand transformation.
7. The tax impact attributable to adjustments notes 1 to 6, calculated using an effective tax rate of 30 per cent.
8. The statutory tax rate is lower than the 30 per cent pro forma tax rate due to the tax rebate received on eligible Australian R&D.

1.3 PRO FORMA EBITDA

MYOB's pro forma FY16 EBITDA was $171.5 million, up 12 per cent against the FY15 pro forma result, reflecting double digit revenue growth partially offset by similar levels of operating cost growth.

Table 4: Pro forma revenue and total operating expenses

A$M; 12 MONTHS ENDED 31 DECEMBER	FY15	FY16	V FY15
Revenue	327.8	**370.4**	13%
Operating Expenses	(174.9)	**(198.9)**	14%
EBITDA	152.9	**171.5**	12%
EBITDA Margin %	46.6%	**46.3%**	-0.3%

Revenue grew at 13 per cent and operating expenses 14 per cent from FY15, resulting in a slight decrease in EBITDA Margin (EBITDA as a percentage of revenue) of 0.3 percentage points to 46.3 per cent.

1.3.1. Pro forma revenue performance

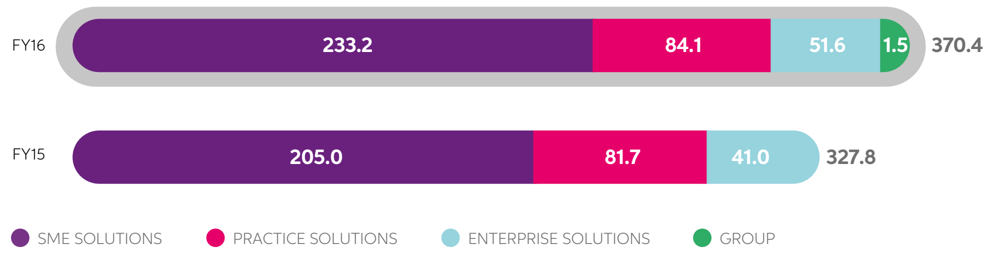
Revenue grew in all segments compared to FY15, with the primary driver of overall growth again being the SME Solutions segment. The acquisitions of Ace Payroll and IMS in 2015 delivered $8.2 million of revenue to the SME Solutions FY16 result (up from $2.9 million in FY15) and the acquisition of Greentree in FY16 delivered $6.1 million of revenue to the Enterprise Solutions result.

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 0.5 percentage points to 95.6 per cent, 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	FY15	FY16	V FY15
SME Solutions	205.0	**233.2**	14%
Practice Solutions	81.7	**84.1**	3%
Enterprise Solutions	41.0	**51.6**	26%
Group	–	**1.5**	
Total Revenue	327.8	**370.4**	13%
Recurring Revenue %	95.1%	**95.6%**	0.5%

PRO FORMA REVENUE BY SEGMENT (A$MILLION)



$370.4M ↑13%

Segment Revenue Performance

SME Solutions

SME Solutions revenue grew at 14 per cent from FY15, of which 3 per cent was driven by the acquisitions of Ace Payroll and IMS. Aside from acquisitions, organic revenue was up 11 per cent from FY15.

The 11 per cent organic revenue growth was driven by 13 per cent uplift in recurring revenue offsetting a 39 per cent reduction in perpetual licence revenue, which is expected as the business has almost completed its transition to selling online subscriptions. Recurring revenue represents 98 per cent of SME Solutions total revenue, up from 97 per cent in FY15. Recurring revenue growth has been driven by growth in online users (up 31 per cent to 223,000 in FY16), delivering:

- 7 per cent growth in the Paying User base to 545,000
- High and stable retention rates (80 per cent – in line with FY15)
- 7 per cent growth in ARPU (Average Revenue per Paying User) from FY15 to $406 per year

Ace Payroll & IMS contributed $8.2 million of revenue in FY16 (of which $7.7 million was recurring), up from $2.9 million (of which $2.7 million was recurring) in FY15.

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 and connected services to SME clients in 2016, including:

- PayDirect Online, the ability to accept online payments straight from the invoice, resulting in faster payment and improved cashflow;
- YourPay, a mobile solution for employees to enter timesheets and receive payslips; and
- PayAgent, a service for New Zealand businesses which automates paying staff and meeting reporting requirements

Sales & Marketing spend increased by 19 per cent during FY16, (see 1.3.2) with investment in digital marketing resources.

Practice Solutions

Practice Solutions revenue grew at 3 per cent from FY15, 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 98 per cent of Practice Solutions total revenue, up from 97 per cent in in FY15.

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 2016, MYOB launched a number of new products to Practice clients, supporting our Connected Practice Strategy.

- In Transaction Processing we launched two key products – the MYOB Dashboard, providing a single view of all a practice's online SME clients and supporting simple on-boarding of new clients, and Connected Ledger, an efficient online ledger with MYOBs high quality bankfeeds enabling practices to grow their Transaction Processing clients.
- In Compliance, we were ready for the ATO changeover from ELS to PLS , improved client accounting with online Practice Ledger, providing a single consistent and efficient workflow for end of year compliance, as well as online Tax eGST and BAS lodgement tools.
- In Advisory, we continued to expand our eco-system of 3rd party partners covering reporting, budgeting, forecasting and modelling.

Enterprise Solutions

Enterprise Solutions revenue grew at 26 per cent from FY15, of which 15 per cent was driven by the acquisition of Greentree in August 2016. Aside from acquisitions, organic revenue was up 11 per cent from FY15.

This growth rate was higher than the FY15 growth rate due to strong new software sales in PayGlobal and growth in MYOB Advanced subscriptions offsetting the impact 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, in line with FY15.

Group

Group revenue relates to grant income received in New Zealand, totalling $1.5 million in FY16.

1.3.2 Pro forma operating expenses

Pro forma operating expenses grew by 14 per cent to $198.9 million from FY15 pro forma.

Cost of goods sold (COGS) increased by 25 per cent from FY15, driven by increased hosting costs for MYOB's online solutions, which are becoming a greater proportion of the overall subscriber base over time, together with increased COGS from acquisitions.

Sales and marketing expenses increased by 19 per cent due to increased investment in digital sales and marketing headcount as well as increased advertising spend to support online sales.

Services and support costs increased by 12 per cent, driven by increased investment in the customer support contact centre and services delivered to accountants and partners.

Research and development expenses increased by 9 per cent, and overall R&D spend was up 20 per cent on FY15. (see section 1.3.3).

General office and administrations costs increased by 3 per cent in FY16 due to continued synergies from previous acquisitions and a focus on controlling non-sales and R&D expenses.

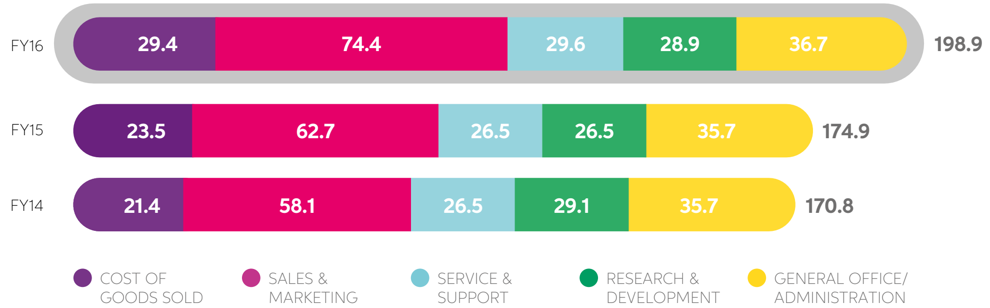
All five expense categories include increases due to having a full year of ongoing expenses from the Ace & IMS acquisitions which occurred in mid-2015 and five months of expenses from the Greentree acquisition (August 2016).

Table 6 outlines operating expenses and their composition.

Table 6: Pro forma operating expenses

A$M; 12 MONTHS ENDED 31 DECEMBER	FY15	FY16	V FY15
Cost of Goods Sold	23.5	**29.4**	25%
Sales & Marketing	62.7	**74.4**	19%
Services & Support	26.5	**29.6**	12%
Research & Development	26.5	**28.9**	9%
General Office/Admin	35.7	**36.7**	3%
Total	174.9	**198.9**	14%

PRO FORMA OPERATING EXPENSES (A$MILLION)



$198.9 M ↑ 14%

1.3.3. Research and development expenditure

Research and development (R&D) costs are primarily staff-related. In FY16 they were 15.1 per cent of revenue, up from 14.2 per cent in FY15.

In FY16 incremental investment went on the MYOB Platform, including online versions of BankLink (Connected Ledger) and Practice Ledger launched during the year. 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. As such, much of these incremental costs were capitalised rather than expensed.

This resulted in a higher capex/opex ratio in FY16 (48 per cent) than FY15 (43 per cent). This roughly 50/50 ratio is likely to continue through 2017 and total R&D spend is likely to remain at the upper end of the 13 per cent to 16 per cent of revenue range.

Table 7: Pro forma research and development spend

A$M; 12 MONTHS ENDED 31 DECEMBER	FY15	FY16	V FY15
Expensed research and development	26.5	**28.9**	9%
Capitalised research and development	20.1	**27.2**	35%
Total	46.6	**56.0**	20%
R&D as a percentage of revenue	14.2%	**15.1%**	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	FY15	FY16	V FY15
EBITDA	**152.9**	**171.5**	**12%**
Depreciation/software amortisation	(13.0)	**(18.4)**	42%
EBITA	**139.9**	**153.1**	**9%**
Amortisaton of acquired intangibles	(58.1)	**(57.4)**	-1%
EBIT	**81.9**	**95.7**	**17%**
Proforma net interest expense	(16.8)	**(14.8)**	-12%
PBT	**65.1**	**80.9**	**24%**
Proforma tax expense	(19.9)	**(24.3)**	22%
NPAT	**45.2**	**56.6**	**25%**
D&A add back (tax effected)	40.6	**40.2**	-1%
NPATA	**85.9**	**96.8**	**13%**

Depreciation/software amortisation increased by 42 per cent in FY16 due to increased levels of R&D capitalisation over the past two years, driven by the shift in spend to new online solutions in all three segments.

Amortisaton of acquired intangibles decreased by 1 per cent due to certain intangible asset categories being fully amortised.

Pro forma net interest expense decreased by 12 per cent due to the lower interest rate environment in FY16. Note the pro forma net interest expense in FY15 assumes a consistent gross debt leverage based on post-IPO debt financing. See note 2 under Table 3 in Section 1.2 for more details.

Pro forma tax expense assumes a flat 30 per cent tax rate therefore 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 1 per cent on FY15).

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-15	31-DEC-16
Assets		
Current assets		
Cash and cash equivalents	36.4	**61.4**
Other current assets	27.8	**34.8**
Total current assets	64.2	**96.2**
Non-current assets		
Intangible assets & goodwill	1,219.0	**1,210.2**
Other non-current assets	96.2	**82.7**
Total non-current assets	1,315.2	**1,292.9**
Total assets	1,379.4	**1,389.2**
Liabilities		
Current liabilities		
Unearned revenue	42.9	**49.7**
Other current liabilities	35.6	**41.7**
Total current liabilities	78.5	**91.5**
Non-current liabilities		
Interest-bearing loans and borrowings	432.7	**434.8**
Other non-current liabilities	4.9	**6.0**
Total non-current liabilities	437.6	**440.8**
Total liabilities	516.2	**532.3**
Net assets	863.3	**856.9**
Equity		
Contributed equity	1,138.1	**1,141.4**
Retained earnings	(415.6)	**(353.8)**
Reserves	140.8	**69.3**
Total equity	863.3	**856.9**

The cash balance has increased by $25 million from FY15 due to the strong cash generation of the business, offset by the acquisition of Greentree and two dividends paid during FY16.

The net current asset position (current assets less current liabilities) has improved from FY15 to a positive position, notwithstanding an increase in the unearned revenue balance to $49.7 million. This is cash revenue received on prepaid maintenance and subscription contracts and is non-refundable if the client cancels their contract.

Intangible assets have reduced in FY16 due to continued amortisation of existing balances, offset by increased goodwill associated with the acquisition of Greentree.

The debt position is in line with FY15, with the $2 million increase entirely driven by AU/NZ FX movements.

Contributed equity was stable in FY16 and retained earnings improved, reflecting the $57 million statutory profit after tax for FY16.

2.2 MYOB PRO FORMA CASH FLOW GENERATION

Strong cash conversion of >75 per cent, slightly below FY15 due to movements in net working capital, the higher investment in research and development and capital expenditure on the new Richmond office in FY16. 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	FY15	FY16
EBITDA	152.9	**171.5**
Non-cash items in EBITDA	2.0	**0.4**
Change in net working capital	3.2	**(3.1)**
Operating free cash flow before capital expenditure	158.1	**168.7**
Capital expenditure	(25.4)	**(36.1)**
Net free cash flow before financing, tax and dividends	132.6	**132.6**
Cash conversion %	87%	**77%**

Net free cash flow before capital expenditure increased by $10.6 million, or 6 per cent, from FY15, driven by higher EBITDA offset by a negative change in net working capital.

Change in net working capital is $6.3 million negative to FY15, due to movements in unearned revenue with the continued shift from up-front annual to monthly subscriptions across the SME and Enterprise segments.

The majority of capital expenditure spend is R&D, which made up $26.9 million of the $36.1 million total capex in FY16 (74 per cent), up 34 per cent on FY15. Other capex increased from $5.4 million in FY15 to $9.2 million in FY16, due to a $4 million investment in the new Richmond technology hub.

2.3 MYOB DEBT LEVELS

Table 11 compares the indebtedness of MYOB as at 31 December 2016 and 31 December 2015.

Table 11: MYOB indebtedness as at 31 December 2016 compared 31 December 2015

A$M; AS AT 31 DECEMBER	2015	2016
Interest bearing loans and borrowings	432.7	**434.8**
Cash and cash equivalents	(36.4)	**(61.4)**
Net indebtedness	396.3	**373.3**
Pro forma debt ratios:		
Net debt/EBITDA	2.59x	**2.18x**
Interest coverage (EBITDA/net interest costs)	9.12x	**11.60x**

The financial covenants contained in the new facility agreement outlined in the IPO prospectus were tested as at 31 December 2016 and show significant headroom.

3. MYOB STRATEGY

The key pillars of MYOB's growth strategy are:

- **Connected Practice**: Lead our industry through a period of intense change by painting an inspiring view of the industry's future
- **MYOB Platform**: Deliver an online platform which leverages network effects and brings to life the Connected Practice vision for accountants and SMEs
- **Clients**: Attract new clients and upsell & retain existing clients by moving them online and making their business life easier through the adoption of connected services
- **Brand and Experience**: Align everything we do to deliver an inspired, authentic and in the know experience
- **Bigger Business**: Expand our Enterprise business by driving growth through our first-to-market cloud position, combined with inorganic growth opportunities

3.1 CONNECTED PRACTICE

MYOB has embarked upon a strategy to deliver seamless connectivity between the SME, advisors and the broader accounting ecosystem through the building of an intelligent, intuitive platform. This creates efficiencies in compliance and transaction processing, and enables growth in advisory services.

Currently these three core processes are completed in sequence, with transactions processed by SME accounting systems, compliance work undertaken by the accountant using a bespoke accounting practice suite of tools, and advice being offered to their clients after the first two processes are complete.

The Connected Practice strategy allows these three processes to run concurrently, and delivers a strong value proposition to accountants in practice, which 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 aim of the Connected Practice strategy is both to automate the accountants' processes and collaboration tools, and to increase their clients' (SMEs) adoption of online accounting. For the accountant, this expands business opportunities and lowers cost of production, and should deliver higher levels of referrals of online SME solutions by accountants which will help MYOB gain higher 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 thirty years to achieve. Current online penetration levels provide a large opportunity for MYOB to grow its online user base through increasing numbers of paying users.

MYOB has grown its online SME user base by 55,000 to 225,000 in 2016, up 32 per cent from prior year. This has delivered a total SME paying user increase of 40,000 to 585,000 in 2016, up 7 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 38 per cent of MYOB's SME paying user base.

3.2 MYOB PLATFORM

MYOB continues to invest in product innovation to enable MYOB to offer a differentiated and competitive product offering, investing 15.1 per cent of revenue on R&D in FY16.

A significant portion of the 2016 R&D spend has been focused on the development of the MYOB Platform including the online Practice Ledger and Connected Ledger (online version of BankLink), both of which launched during 2016.

New products and features launched in 2016 which have helped drive online adoption include additional features for accountants and SME's, including:

- **Portal** – An online collaboration platform that enables an accountant to securely share documents with their clients and take digital signature approvals, even when they are mobile. In December 2016, 84,000 clients were using portal, up >500 per cent on December 2015.
- **Dashboard** – A powerful single view for an accountant to interact with their clients online. Dashboard allows an accountant to manage their clients' data in real time from a single screen.
- **Practice Ledger** – The online replacement for ledgers within the desktop practice suite. 24,000 practice ledgers being used in December 2016, having been launched in early Q2.
- **Connected Ledger** – The online solution for clients where the accountant does all the transaction processing. Connected ledger enables collaboration between the accountant and SME and includes bank feeds to simplify the accountant's workflows.

As noted in section 1.3.3 investment in existing products (expensed) was largely stable in 2016, but investment in the platform (capitalised) increased by 35 per cent. Continued investment in the MYOB Platform will result in investment remaining at the upper end of the previously stated 13–16 per cent of revenue range.

3.3 CLIENTS

New Clients

As noted above MYOB has invested in the MYOB Platform to drive the uptake of online accounting solutions amongst new clients, with total online subscriptions (SME and Practice) up 47 per cent to 249,000 in December 2016. In Q4'16, 92 per cent of new MYOB SME clients chose online subscriptions, up from 78 per cent in Q4'15.

New registrations to MYOB SME solutions in Australia remain at over 50 per cent of GST registrations, in line with historical levels. Online subscriptions growth is expected to further accelerate in 2017 with momentum building for Practice Ledger and Connected Ledger.

Existing clients

MYOB has a history of providing clients with significant enhancements, such as the provision of bank feeds, the smart bills service, PaySuper and improved workflows. MYOB intends to drive growth in average revenue per paying user and increased retention by providing enhanced product functionality and additional value to clients enabling percentage price increases in line with historical experience (which have been in the mid-single digit percentages).

The continued enhancements to online products has resulted in an increased rate of migration of MYOB's active non-paying base, with penetration up >35 per cent over the past three years to 6.4 per cent in 2016.

Online connected services

MYOB believes that there is a significant opportunity to drive incremental revenue through growing sales of connected services in areas such as payments, debtor management and small business financing and enabling partners to build out the platform ecosystem:

- 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)

Initial uptake of online connected services has been high in 2016 (December) when compared to 2015 (December):

- 49 per cent increase in monthly bank transactions fed into online solutions
- 99 per cent increase in Smart Bills processed per month
- 34 per cent increase in employees paid using PaySuper; and
- 64 per cent increase in monthly PayDirect mobile transactions.

3.4 BRAND AND EXPERIENCE

To attract new clients whilst retaining and upgrading our existing base, we have invested in a Brand Transformation and Repositioning strategy. This work commenced in 2016, and extends through 2017, whereby we invested in marketing activities across all touchpoints, to ensure high awareness of new MYOB online products (continuing to move perceptions away from a brand known for SME accounting software to a tech company offering a range of online accounting solutions).

As a tech brand that helps businesses succeed, in 2016 we introduced new visual elements to the brand, including a new logo and positioning line. We also invested across the business to significantly change experiences throughout the customer lifecycle and across key touchpoints such as our digital channels and website, face to face sales channel, digital sales enablement, collateral and support services.

MYOB has also strengthened its Executive and Board ranks in late 2016 and early 2017:

- David Weickhardt, who joined MYOB in November 2015 as General Manager, Product, with more than 15 years senior management experience, having worked with BHP Billiton and McKinsey & Co. David replaced Ben Ross, who left MYOB after four years in the role of General Manager, Product Design and Experience
- Carolyn Luey, who joined MYOB in January 2017 as General Manager, Enterprise and New Zealand, having previously held senior management roles at NZME, the Radio Network and Telecom New Zealand; and
- Fiona Pak-Poy, who joined MYOB in January 2017 as an independent, non-executive director. Fiona is a non-executive Director of several leading companies, all with a focus on technology and innovation.

3.5 BIGGER BUSINESS

Over the past three years, MYOB has expanded its Enterprise business by driving growth through its first-to-market cloud solution, complemented with inorganic growth.

MYOB' market-leading cloud Enterprise Resource Planning (ERP) solution, MYOB Advanced, was launched in 2015 and has achieved rapid success in the market. MYOB Advanced has enabled MYOB to increase its absolute number of new client adds in the ANZ market, and in 2017 MYOB Advanced is expected to outsell the desktop MYOB EXO solution, a remarkable achievement just two years after launch.

In 2017 MYOB will launch the HR Management (HRM) module of MYOB Advanced, further increasing the opportunity to grow MYOB's addressable market in the Enterprise segment.

Over the past two years this organic growth has been complemented by two acquisitions, both offering the opportunity for MYOB to expand into larger Enterprise clients.

- PayGlobal – acquired in August 2014, PayGlobal offers on-premise HRM solutions for larger (>500 FTE) businesses. The PayGlobal acquisition has delivered a highly profitable business, new channels to market via larger Value Added Resellers (VARs) and the opportunity to bring the MYOB Advanced HRM system to a larger market.
- Greentree – acquired in August 2016, Greentree offers on-premise ERP solutions for larger (>500 FTE) businesses. The Greentree acquisition has delivered the same outcomes as PayGlobal, but with the focus on ERP, rather than HRM enterprise solutions.

MYOB continues to review the market for potential acquisition targets in all segments.

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 STRATEGIC RISK

MYOB has a clear strategy to ensure the continued growth of the organisation (please refer to section 3 for further information). MYOB's strategic direction, together with its ability to successfully execute on that strategy, is critical to its future success.

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

- dedicated strategy days at Board and Executive level;
- regular engagement with external subject matter experts and consultants; and
- ongoing monitoring and review of strategy by an in-house strategy team and others within the organisation.

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

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 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.

4.4 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 (including being named in the 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 in Richmond, Victoria.

4.5 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.

4.6 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.

5. FY17 OUTLOOK

The Connected Practice strategy, underpinned by the MYOB Platform, is expected to accelerate online subscriber growth in 2017.

We expect double digit revenue growth for the 2017 year, with EBITDA margin in the 45 – 50 per cent range.

Investment in the MYOB platform will continue and R&D investment is expected to be at the upper end of the reported 13 – 16 per cent of revenue range.

We continue to look for and expect to make targeted acquisitions which fit in the core of our business, and investment in new growth opportunities outside of our business.

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 2016 (FY16). Throughout the report, the consolidated entity is referred to as 'the Group'.

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 FY16 and up to the date of this report:

Justin Milne
Andrew Stevens
Anne Ward
Craig Boyce
Paul Edgerley
Tim Reed (CEO)

Fiona Pak-Poy was appointed as an independent non-executive director on 1 January 2017.

Directors' meetings and directors' attendance at those meetings for FY16 (including meetings of the committees of directors) are disclosed on page 36. The qualifications and experience of directors, including current and recent directorships, are detailed on pages 22 to 23.

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

Dividends paid to members during FY16 were as follows:

	2016 $'000	2015 $'000
Final ordinary dividend for the year ended 31 December 2015 of 5.0 cents per fully paid share paid on 5 April 2016	29,223	–
Interim ordinary dividend for the year ended 31 December 2016 of 5.5 cents per fully paid share paid on 20 October 2016	32,966	–
	62,189	–

Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $35 million (5.75 cents per fully paid Ordinary share) to be paid on 5 April 2017 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 24 to 33.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during FY16 were as follows:

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 NZD 28.5 million.

There were no other significant changes in the state of affairs of the Group during FY16.

EVENTS SUBSEQUENT TO BALANCE DATE

Fiona Pak-Poy was appointed as an independent non-executive director on 1 January 2017.

On 23 February 2017, the Directors declared an unfranked dividend of 5.75 cents per ordinary share to be paid on 5 April 2017 to shareholders registered at record date 9 March 2017.

On 23 February 2017, the Group entered into a sale and purchase agreement to acquire 100% of Paycorp Payment Solutions Pty Limited and specified assets for a total consideration of $48m (refer ASX announcement dated 23 February 2017).

No further matters or circumstances have arisen since 31 December 2016 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 24 to 33.

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 22 to 23, including current and previous directorships. Shareholdings of directors can be found on page 43.

Table 1

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 Board and Committee meetings up to 31 December 2016:

Table 2

	BOARD MEETINGS		AUDIT & RISK MANAGEMENT COMMITTEE		REMUNERATION & NOMINATION COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Justin Milne	6	6	4	3	– [1]	4
Andrew Stevens	6	6	4	4	5	5
Anne Ward	6	6	– [1]	3	5	5
Craig Boyce	6	6	4	4	– [1]	4
Paul Edgerley	6	5	– [1]	–	5	4
Tim Reed	6	6	– [1]	4	– [1]	5

1 Not a member of the relevant committee.

Fiona Pak-Poy, a director at the date of this report, was appointed from 1 January 2017 and is not included in above table.

ADVISORS

The remuneration and nomination committee operates independently of the Group's management and directly engages remuneration advisors. During FY16 the committee engaged PricewaterhouseCoopers (PwC) to provide advice on executive remuneration benchmarks and long-term incentive design.
PwC was paid $84,456 for these services including $6,050 for a remuneration recommendation.

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Remuneration Report

This report outlines the remuneration framework and the outcomes for the period ended 31 December 2016 (FY16) for the Group, the CEO and the senior executives who were the 'key management personnel' (KMP) in FY16.

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 18 to 21 of the annual report.

NAME	POSITION
Non-executive directors and executive directors	
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
Key management personnel	
Richard Moore	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
David Weickhardt[1]	General Manager, Product

1 David Weickhardt commenced 14 November 2016.

KMP are defined as direct reports to the Chief Executive Officer, Tim Reed.

Changes since the end of the reporting period

Fiona Pak-Poy was appointed as an independent non-executive director on 1 January 2017.

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.

The CEO and KMP remuneration framework has four components:

Table 1

ELEMENT	PURPOSE	PERFORMANCE METRICS	POTENTIAL VALUE	CHANGES FOR 2016
Fixed remuneration (FR)	Provide competitive market salary including superannuation and non-monetary benefits	Considerations: • Individuals roles and responsibilities • Level of expertise and effectiveness • Market (benchmarking)	Positioned at median market rate	Review in line with market positioning
Short-term incentive (STI)	Provide short-term, cash based incentives to achieve operational targets, aligned to in-year group and segment financial performance	Group EBITDA, Segment contributions, Group and segment market share	CEO: 75% of FR on target KMP: 30-50% of FR on target	Inclusion of an operational market share target in addition to existing financial targets
Performance shares (LTI)	Provide long-term incentives to deliver long-term shareholder returns	Share price	Dependant on meeting share price hurdles set at 30/9/17 and 30/9/18	Extended to include a third testing date of 30/9/18 [1]
Long Term Incentive Plan (LTIP)	Provide long-term incentives to deliver long-term shareholder returns	Earnings per Share (EPS) and absolute Total Shareholder Return (TSR)	CEO: 56.25% of FR on target KMP: 22.5%-37.5% of FR on target	Applies from 1 January 2017

1 Approved by shareholders on 27 April 2016.

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)

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 CEO and KMP contracts. CEO and KMP do not receive any additional benefits.

Superannuation

Superannuation contributions are made at the local statutory rate.

Short-term incentive (STI)

The CEO and 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 150% (2015: 187.5%) of FR and the KMP have a maximum STI opportunity of between 60% and 100% (2015: 75% and 125%) of FR.

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 designed to provide sufficient incentive to the CEO and KMP to achieve the operational targets whilst ensuring the cost to the Group is reasonable in light of market practice and total remuneration.

Actual STI payments to CEO and KMP depend on the extent to which specific operating targets set at the beginning of the period are met. The targets consist of a number of KPI's covering financial and operational measures of performance. Financial measures are Group EBITDA, or a combination of Group EBITDA and segment contribution. Operational measures are Group online market share, segment online market share, or a combination of both as applicable to the CEO and each relevant KMP. Market share is defined as the relative share of online subscribers disclosed by MYOB and its key competitors. Financial and operational hurdles must be met in order to trigger any payments under the STI program.

STI Targets and weighting

The STI metrics align with Group strategic priorities of market competitiveness and operational excellence.

Table 2

METRIC	TARGET	WEIGHTING	REASON FOR SELECTION
Financial Performance	Group EBITDA and segment contribution	70%	Achievement of market expectations
Operational Performance	Group and segment market share	30%	Achievement of strategic targets

Performance shares (LTI)

The management share scheme was designed to provide incentives for the CEO and KMP to deliver long-term shareholder returns. Participation in the scheme was at the Board's discretion and participants were issued with performance shares under the scheme. No additional performance shares have be issued since the IPO, as new participation in the scheme has closed.

Performance shares may convert into Ordinary shares, if the share price of Ordinary shares reaches or exceeds a predetermined level on a relevant testing date. The first test date occurred on 30 September 2016. This resulted in 70.83% of Performance shares converting to Ordinary shares. The outstanding 29.17% may convert to Ordinary shares at the remaining test dates (30 September 2017 and 30 September 2018).

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.

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

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

Long-Term Incentive Plan (LTIP)

The Group disclosed its new long-term incentive plan (to replace the Performance shares scheme) at the April 2016 AGM, and proposes to make annual grants under the LTIP commencing in January 2017.

The CEO and KMP have the opportunity to earn an annual long-term incentive (LTIP) if predefined targets are achieved. The CEO has a maximum LTIP opportunity of 75% of FR and KMP have a maximum LTIP opportunity of between 30% and 50% of FR.

The LTIP links achievement of long-term shareholder returns with the remuneration received by the CEO and KMP charged with meeting those returns. The total potential LTIP available is set at a level so as to provide sufficient incentive to the CEO and KMP to achieve the returns whilst ensuring that the cost to the Group is reasonable in light of market practice and total remuneration. The LTIP operates as a loan-funded share plan, with the loan secured against the shares granted.

Actual LTIP payments to the CEO and KMP depend on the extent to which specific targets set at the beginning of the period are met. The targets consist of Earnings per Share (EPS) and absolute Total Shareholder Return (TSR).

Remuneration expenses for the CEO and KMP

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

Table 3

		FIXED REMUNERATION			VARIABLE REMUNERATION			
NAME	YEAR	CASH SALARY	LONG SERVICE LEAVE ACCRUED[1]	POST-EMPLOYMENT BENEFITS[2]	STI CASH BONUS[3]	ONE-OFF CASH BONUS[4]	RIGHTS TO DEFERRED SHARES	TOTAL
CEO								
Tim Reed	**2016**	**820,001**	**(50,180)**	**30,000**	**453,940**	**–**	**77,177**	**1,330,938**
	2015	705,925	67,457	30,000	442,606	825,000	270,400	2,341,388
Key management personnel								
Richard Moore	**2016**	**469,639**	**20,116**	**30,000**	**178,016**	**–**	**43,041**	**740,812**
	2015	410,642	12,089	30,000	170,977	550,000	150,800	1,324,508
James Scollay	**2016**	**392,695**	**16,796**	**37,306**	**175,471**	**–**	**28,941**	**651,209**
	2015	350,565	11,042	33,304	134,271	275,000	101,400	905,582
Andrew Birch	**2016**	**410,959**	**21,104**	**39,042**	**200,598**	**–**	**28,496**	**700,199**
	2015	341,281	34,339	32,422	181,204	275,000	99,840	964,086
Adam Ferguson	**2016**	**392,695**	**24,640**	**37,306**	**153,094**	**–**	**29,015**	**636,750**
	2015	341,281	53,360	49,422	152,683	258,000	101,660	956,406
John Moss	**2016**	**310,503**	**12,503**	**29,498**	**72,631**	**–**	**14,767**	**439,902**
	2015	294,119	12,238	30,941	76,924	272,000	51,740	737,962
David Weickhardt[5]	**2016**	**54,795**	**–**	**5,206**	**–**	**–**	**–**	**60,001**
	2015	–	–	–	–	–	–	–
Total CEO and KMP	**2016**	**2,851,287**	**44,979**	**208,358**	**1,233,750**	**–**	**221,437**	**4,559,811**
	2015	2,443,813	190,525	206,089	1,158,665	2,455,000	775,840	7,229,932
Total NED remuneration (refer table 9)	**2016**	**818,967**	**–**	**58,033**	**–**	**–**	**–**	**877,000**
	2015	614,226	–	43,523	–	–	–	657,749
Total remuneration expensed	**2016**	**3,670,254**	**44,979**	**266,391**	**1,233,750**	**–**	**221,437**	**5,436,811**
	2015	3,058,039	190,525	249,612	1,158,665	2,455,000	775,840	7,887,681

1 Long service leave accrued includes any net changes in the balance of long service leave (i.e. leave entitlements that accrued during the year net of what was taken).

2 Post-employment benefits are represented by superannuation contributions earned. Staff can elect to have super capped at $30,000, any excess super is included within cash salary.

3 STI bonus for 2015 was paid in February 2016. This is shown in 2015 STI cash bonus. STI bonus for 2016 is yet to be paid. Provision is included in 2016 STI cash bonus.

4 One off cash bonus related to the Initial Public Offering, paid during 2015.

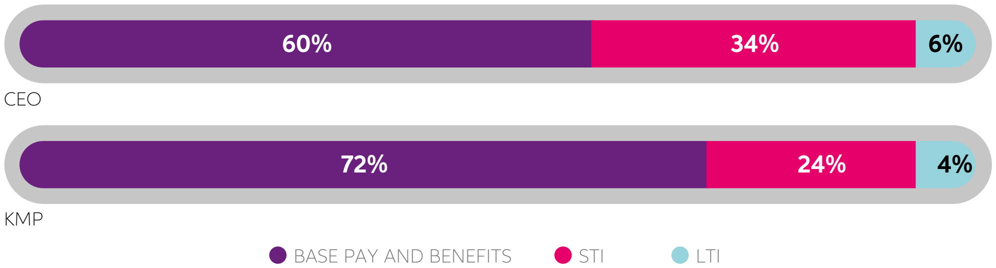
5 David Weickhardt joined the Group on 14 November 2016.

Balancing short-term and long-term performance

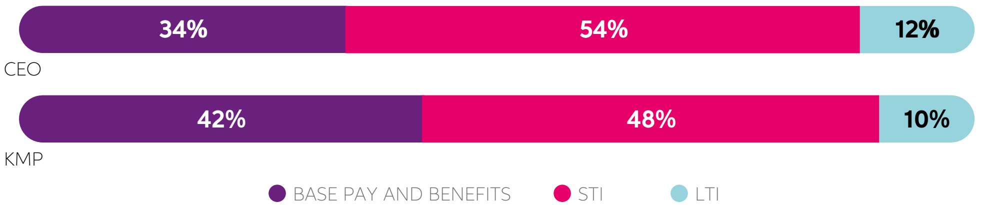
In accordance with the Group's objective to ensure that CEO and KMP remuneration is aligned to company performance, a significant portion of the their target pay is 'at risk'. The following chart sets out the target remuneration mix:

Table 4

2016



2015



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%.

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:

Table 5

NAME		FIXED REMUNERATION %	AT RISK – STI[1] %	AT RISK – LTI[2] %
CEO				
Tim Reed	**2016**	**60**	**34**	**6**
	2015	34	54	12
KMP				
Richard Moore	**2016**	**70**	**24**	**6**
	2015	35	54	11
James Scollay	**2016**	**69**	**27**	**4**
	2015	44	45	11
Andrew Birch	**2016**	**67**	**29**	**4**
	2015	42	47	11
Adam Ferguson	**2016**	**71**	**24**	**5**
	2015	46	43	11
John Moss	**2016**	**80**	**17**	**3**
	2015	46	47	7
David Weickhardt[3]	**2016**	**100**	**–**	**–**

1 2015 was not a representative year for the Group, as STI included a One-Off Cash Bonus in relation to the IPO as disclosed in table 3.

2 Since the long-term incentives are provided by rights to Performance shares, the percentages disclosed reflect the value expensed during the year (refer table 3).

3 David Weickhardt commenced 14 November 2016.

Performance based remuneration granted & exercised during the year

The below table shows for the CEO and KMP the cash value of their on target STI payment for FY16 against that actually achieved. It also shows the number of Performance shares that were exercised during FY16.

Table 6

		TOTAL STI BONUS (CASH)				TOTAL LTI (PERFORMANCE SHARES)		
NAME	YEAR	ON TARGET STI $[1]	STI AWARDED $[2]	AWARDED %[3]	FORFEITED %	ISSUED	EXERCISED[4]	FORFEITED
Tim Reed	**2016**	**637,500**	**453,940**	**71**	**29**	**–**	**3,920,215**	**–**
	2015	600,000	442,606	74	26	5,534,425	–	–
Richard Moore	**2016**	**250,000**	**178,016**	**71**	**29**	**–**	**1,206,220**	**–**
	2015	225,000	170,977	76	24	1,702,900	–	–
James Scollay	**2016**	**215,000**	**175,471**	**82**	**18**	**–**	**980,053**	**–**
	2015	200,000	134,271	67	33	1,383,606	–	–
Andrew Birch	**2016**	**225,000**	**200,598**	**89**	**11**	**–**	**957,437**	**–**
	2015	200,000	181,204	91	9	1,351,677	–	–
Adam Ferguson	**2016**	**215,000**	**153,094**	**71**	**29**	**–**	**1,130,831**	**–**
	2015	200,000	152,683	76	24	1,596,469	–	–
John Moss	**2016**	**102,000**	**72,631**	**71**	**29**	**–**	**603,110**	**–**
	2015	97,500	76,924	79	21	851,450	–	–
David Weickhardt[5]	**2016**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

1 Maximum potential STI is represented by 2x the on target STI.

2 STI awarded for 2015 represents the STI cash bonus only and excludes the one-off cash bonus related to the IPO as shown In Table 3.

3 Rounded to the nearest whole value.

4 On 30 September 2016 70.83% of the performance shares converted to ordinary shares. See note 12 of the annual report.

5 David Weickhardt commenced 14 November 2016.

Link between remuneration and performance

The Group aligns CEO and KMP performance to the creation of value for shareholders by ensuring a proportion of remuneration is 'at risk' and payable only if predetermined strategic, financial and operational targets are met. These targets are aligned to the key drivers of shareholder wealth creation.

The components of at risk remuneration are STI, LTI and, from January 2017, LTIP. The Group and segment performance has a direct impact on the percentage of STI achievable. The share price has a direct impact on the value of Performance shares achievable upon conversion. The Group performance and share price both have a direct impact on the percentage of LTIP achievable.

The following table shows key drivers of shareholder value for the Group over the last two years. Comparatives can be found in relation to company performance in prior years in the IPO Prospectus.

Table 7

	2016	2015
Revenue ($'m)	**370.4**	327.8
Proforma EBITDA ($'m)	**171.5**	152.9
Dividend payments ($'m)	**62.2**	–
Proforma NPATA ($'m)	**96.8**	85.9
Proforma NPATA earnings per share (cents)	**16.5**	14.7

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 Performance shareholdings of the CEO and KMP during FY16.

Table 8

2016 NAME	BALANCE AT START OF THE YEAR	RECEIVED (REDUCED) ON CONVERSION OF PERFORMANCE SHARES	OTHER MOVEMENTS DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Ordinary shares				
Justin Milne	65,095	–	15,830	80,925
Andrew Stevens	41,095	–	14,800	55,895
Anne Ward	27,397	–	–	27,397
Craig Boyce	–	–	100,000	100,000
Paul Edgerley	–	–	–	–
Tim Reed	6,775,299	3,920,215	–	10,695,514
Richard Moore	418,185	1,206,220	(25,000)	1,599,405
James Scollay	454,553	980,053	–	1,434,606
Andrew Birch	1,198,341	957,437	–	2,155,778
Adam Ferguson	2,032,942	1,130,831	–	3,163,773
John Moss	758,122	603,110	(379,061)	982,171
David Weickhardt	–	–	–	–
Performance shares				
Tim Reed	5,534,425	(3,920,215)	–	1,614,210
Richard Moore	1,702,900	(1,206,220)	–	496,680
James Scollay	1,383,606	(980,053)	–	403,553
Andrew Birch	1,351,677	(957,437)	–	394,240
Adam Ferguson	1,596,469	(1,130,831)	–	465,638
John Moss	851,450	(603,110)	–	248,340
David Weickhardt	–	–	–	–

Loans given to the CEO and KMP

At the end of FY16 there were no loans to the CEO and KMP of the Group. On 1 February 2017 non-recourse loans were provided to the CEO and KMPs in relation to the issue of shares under the LTIP.

Other transactions with the CEO and KMP

During FY16 there were no other transactions with the CEO and KMP of the Group.

Executive service agreements

All service agreements for the CEO and 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 the CEO and KMP and require the remuneration of the CEO and 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 CEO and KMP 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 CEO and KMP may be terminated without notice or payment in lieu of notice in some circumstances. Generally, this could occur where the CEO or KMP:

- is in neglect of their duty;
- breaches a provision of their service 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.

The CEO and 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.

The key employment terms for the CEO and KMP include an on-going term of agreement and a six-month notice period on behalf of both the Group and the employee.

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 maximum annual aggregate directors' fee pool is $2m (2015: $2m), effective 1 April 2015.

Table 9

	FROM 1 APRIL 2015
Base fees	
Chair	275,000
Other non-executive directors	125,000
Additional fees	
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

All non-executive directors are appointed on written terms which include a description of duties, fees payable to the director and the term of the appointment.

Non-executive director remuneration

Table 10

NAME	YEAR	BASE FEE	AUDIT & RISK MANAGEMENT COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE	SUPER-ANNUATION	TOTAL
Non-executive directors						
Justin Milne	**2016**	**251,141**	**13,699**	–	**25,160**	**290,000**
	2015	188,356	10,274	–	18,870	217,500
Andrew Stevens	**2016**	**114,155**	**22,831**	**11,415**	**14,099**	**162,500**
	2015	85,616	17,123	8,562	10,574	121,875
Anne Ward	**2016**	**114,155**	–	**20,091**	**12,754**	**147,000**
	2015	85,616	–	15,068	9,565	110,249
Craig Boyce	**2016**	**123,265**	**13,698**	–	**3,037**	**140,000**
	2015	92,449	10,274	–	2,277	105,000
Paul Edgerley	**2016**	**123,102**	–	**11,415**	**2,983**	**137,500**
	2015	92,326	–	8,562	2,237	103,125
Fiona Pak-Poy [1]	**2016**	–	–	–	–	–
	2015	–	–	–	–	–
Total NED remuneration	**2016**	**725,818**	**50,228**	**42,921**	**58,033**	**877,000**
	2015	544,363	37,671	32,192	43,523	657,749

1 Fiona Pak-Poy was appointed director on 1 January 2017.

In 2015, prior to the Group's Initial Public Offering, no directors' fees were paid. The base and additional fees for directors remain unchanged in FY16.

Advice from external remuneration consultants

During FY16, the Remuneration and Nomination Committee and the Board engaged PricewaterhouseCoopers (PwC) to provide a remuneration recommendation on operational features of the new LTIP. PwC was paid $6,050 for these services.

PwC has confirmed that any remuneration recommendations have been made free from undue influence by members of the group's key management personnel. For example, PwC was engaged by, and reported directly to, the chair of the Remuneration and Nomination Committee who executed the agreement for remuneration consulting services under delegated authority on behalf of the board. PwC was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the board is satisfied that the recommendations were made free from undue influence from the CEO and any member of the key management personnel.

In addition to providing remuneration recommendations, PwC also provided advice on other aspects of the remuneration of the group's employees, and various audit and non-audit services. Details of these services are disclosed on page 36 of the Directors' report and in note 17 to the financial statements.

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 17 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 17, 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 46.

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, 23 February 2017

Auditor's Independence Declaration

As lead auditor for the audit of MYOB Group Limited for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

Nadia Carlin

Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
23 February 2017

Contents

STREAMLINED FINANCIAL STATEMENTS

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

Consolidated Statement of Comprehensive Income

FOR THE PERIOD ENDED
31 DECEMBER 2016

	NOTE	2016 $'000	2015 $'000
Revenue	4	**370,417**	327,777
Staff related expenses		**(124,517)**	(112,678)
General office/administration		**(31,228)**	(28,105)
Direct materials		**(15,123)**	(12,140)
Royalties		**(3,195)**	(2,600)
Reseller commissions		**(11,053)**	(8,748)
Marketing expenses		**(13,875)**	(9,404)
Other expenses	5	**(7,075)**	(29,881)
Depreciation and amortisation expenses		**(75,816)**	(71,020)
Net finance costs		**(14,789)**	(120,288)
Profit/(loss) from operations before income tax		**73,746**	(67,087)
Income tax benefit/(expense)	6	**(19,754)**	24,830
Profit/(loss) from operations after income tax attributable to owners of MYOB Group Limited		**53,992**	(42,257)
Other comprehensive income/(loss)			
Items that may be classified to income or loss:			
Foreign currency translation		**1,655**	(690)
Change in fair value of cash flow hedges		**–**	532
Other comprehensive income/(loss) for the period, net of tax		**1,655**	(158)
Total comprehensive income/(loss) for the period attributable to owners of MYOB Group Limited		**55,647**	(42,415)

		CENTS	CENTS
Earnings per share for profit/(loss) attributable to ordinary equity holders of MYOB Group Limited			
Basic earnings per share	18	**9.18**	(8.38)
Diluted earnings per share	18	**8.92**	(8.38)

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

Consolidated Balance Sheet

AS AT 31 DECEMBER 2016

	NOTE	2016 $'000	2015 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		**61,434**	36,384
Trade and other receivables		**15,766**	12,719
Inventories		**194**	536
Other current assets		**18,874**	13,177
Current tax receivables		**–**	1,409
Total current assets		**96,268**	64,225
Non-current Assets			
Property, plant and equipment	7	**19,454**	15,176
Intangible assets & goodwill	7	**1,210,240**	1,218,990
Deferred tax assets	6	**44,716**	62,525
Investments	21	**18,525**	18,525
Total non-current assets		**1,292,935**	1,315,216
Total Assets		**1,389,203**	1,379,441
LIABILITIES			
Current Liabilities			
Trade and other payables		**29,816**	25,487
Interest-bearing loans and borrowings	9	**437**	–
Unearned revenue		**49,743**	42,944
Provisions		**11,475**	10,092
Total current liabilities		**91,471**	78,523
Non-current Liabilities			
Interest-bearing loans and borrowings	9	**434,783**	432,711
Provisions		**6,018**	4,930
Total non-current liabilities		**440,801**	437,641
Total Liabilities		**532,272**	516,164
Net Assets		**856,931**	863,277
EQUITY			
Contributed equity	11	**1,141,423**	1,138,097
Retained earnings		**(353,820)**	(415,620)
Reserves		**69,328**	140,800
Total Equity		**856,931**	863,277

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 2016

	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 2016		**1,138,097**	**6,216**	**–**	**4,584**	**130,000**	**(415,620)**	**863,277**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**53,992**	**53,992**
Other comprehensive income (net of tax)		**–**	**1,655**	**–**	**–**	**–**	**–**	**1,655**
Total comprehensive income for the period		**–**	**1,655**	**–**	**–**	**–**	**53,992**	**55,647**
Transactions with owners in their capacity as owners:								
Profit reserve		**–**	**–**	**–**	**–**	**(70,000)**	**70,000**	**–**
Management share scheme		–	–	–	**411**	–	–	**411**
Transfer cost on conversion of Performance shares		**3,538**	**–**	**–**	**(3,538)**	**–**	**–**	**–**
IPO listing costs		**(212)**	**–**	**–**	**–**	**–**	**–**	**(212)**
Dividend paid		**–**	**–**	**–**	**–**	**–**	**(62,189)**	**(62,189)**
Other		**–**	**–**	**–**	**–**	**–**	**(3)**	**(3)**
At 31 December 2016	11	**1,141,423**	**7,871**	**–**	**1,457**	**60,000**	**(353,820)**	**856,931**
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)
Total comprehensive income/(loss) for the period		–	(690)	532	–	–	(42,257)	(42,415)
Transactions with owners in their capacity as owners:								
Profit reserve		–	–	–	–	130,000	(130,000)	–
Management share scheme		–	–	–	1,440	–	–	1,440
Issue of share capital		828,340	–	–	–	–	–	828,340
IPO listing costs		(21,171)	–	–	–	–	–	(21,171)
Other		–	–	–	–	–	11	11
At 31 December 2015	11	1,138,097	6,216	–	4,584	130,000	(415,620)	863,277

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 interest 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 was recognised on a pro-rata basis over the expected vesting period and will be transferred to issued capital on any conversion of Performance shares. The arrangement is treated as an equity settled expense.

Undistributed profit reserve

This reserve is quarantined 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 2016

	NOTE	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		**406,711**	362,211
Payments to suppliers and employees		**(246,153)**	(213,879)
Finance cost – Secured bank loans	9	**(15,203)**	(31,300)
Income tax (paid)		**(460)**	–
Interest received		**938**	284
Initial Public Offering costs (expensed)		**–**	(19,456)
Net cash flows from operating activities		**145,833**	97,860
Cash flows from investing activities			
Purchase of property, plant and equipment		**(8,132)**	(4,421)
Capitalised new product development	7	**(26,879)**	(20,060)
Acquired software costs	7	**(1,200)**	(1,100)
Acquisition of BankLink (final payments)		**–**	(250)
Acquisition of Ace Payroll (net of cash included in business)		**–**	(12,221)
Acquisition of IMS (net of cash included in business)		**–**	(8,553)
Acquisition of Greentree (net of cash included in business)	8	**(22,820)**	–
Investment in Kounta		**–**	(2,000)
Investment in OnDeck		**–**	(6,000)
Net cash flows used in investing activities		**(59,031)**	(54,605)
Cash flows from financing activities			
Proceeds of shares issued		**–**	828,062
Repayment of borrowings		**–**	(1,048,176)
Settlement of (including Interest) RPS/Loan Notes		**–**	(193,413)
Proceeds from borrowings		**–**	435,485
Capital return		**–**	(1,404)
Debt transaction costs		**(264)**	(2,135)
Initial Public Offering costs (directly attributable to equity) pre tax		**–**	(30,297)
Dividends paid by parent entity	19	**(62,189)**	–
Net cash flows used in financing activities		**(62,453)**	(11,878)
Net increase in cash and cash equivalents		**24,349**	31,378
Net foreign exchange differences		**701**	(38)
Cash and cash equivalents at beginning of period		**36,384**	5,044
Cash and cash equivalents at end of period		**61,434**	36,384

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 2016

	2016 $'000	2015 $'000
Reconciliation of net profit/(loss) after income tax with cash flow from operations:		
Net profit/(loss) for the period	**53,992**	(42,257)
Cash flows excluded from operating profit/(loss) attributable to operating activities:		
Non-cash flows in operating profit/(loss)		
Loss on disposal of property, plant and equipment	**165**	98
Amortisation/depreciation	**75,816**	71,018
Accrued interest expense (incl. amortisation of debt raising costs)	**523**	89,270
Accrued specific items/management fees	**(627)**	1,536
FX on foreign denominated transactions	**(217)**	448
Management shares	**411**	1,440
Income tax expense/(credit)	**19,754**	(24,830)
Changes in assets and liabilities, net of the effects of the purchase and disposal of subsidiaries:		
Movement in trade and term debtors	**(1,211)**	(417)
Movement in other financial assets	**(1,511)**	(1,398)
Movement in prepayments and other assets	**(3,046)**	(224)
Movement in payables and unearned revenues	**824**	2,766
Movement in provisions	**1,420**	410
Movement in income taxes payable	**(460)**	–
Cash flows from operations	**145,833**	97,860

Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2016

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 23 February 2017 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 entity is a for-profit entity 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

There are no new standards issued that have a material impact on the Group in the current reporting period.

(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 2016 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 customers

Revenue from contracts with customers will be mandatory for the Group's 31 December 2018 consolidated financial statements, and will allow early adoption. AASB 15 requires the incremental costs of obtaining a contract to be capitalised and then expensed over the contract period. Under the current accounting policies these costs are expensed as they occur. Based on the guidance, management does not expect the recognition and measurement of revenue to materially change under the new standard, but the Group 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.

The standard will effect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $28.5 million, see note 20. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will effect Group's profit and classification of cash flows.

(iv) Historical cost convention

These financial statements have been prepared based on historical costs.

(v) Critical accounting estimates and judgements

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

Changes in accounting policies

There have been no changes in this reporting period.

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 customers they service, with each segment offering different products and serving different markets. The Board reviews each of the operating segments down to the contribution level.

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

2016	SME SOLUTIONS $'000	PRACTICE SOLUTIONS $'000	ENTERPRISE SOLUTIONS $'000	CORPORATE (INCL. R&D) $'000	TOTAL $'000
(a) Revenue					
Segment revenue	233,189	84,080	51,625	1,523	370,417
(b) Other profit and loss disclosures					
Direct materials/Royalties/Reseller commissions	17,153	1,298	10,921	–	29,372
Staff related expenses	42,957	18,283	14,355	48,922	124,517
Other operating expenses	12,402	3,949	2,144	26,607	45,102
Other expenses (refer note 5)	–	–	–	7,075	7,075
Contribution	160,677	60,550	24,205	(81,081)	164,351
Depreciation and amortisation					75,816
Finance costs					14,789
Profit before tax					73,746

(c) Revenue by country

	AUSTRALIA $'000	NEW ZEALAND $'000	TOTAL $'000
Segment revenue	303,086	67,331	370,417

(d) Information on major clients

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

(e) Non-current assets by country

	AUSTRALIA $'000	NEW ZEALAND $'000	TOTAL $'000
Property, plant and equipment	17,514	1,940	19,454
Intangible assets & goodwill	1,110,003	100,237	1,210,240
Investments	18,525	–	18,525
Total	1,146,042	102,177	1,248,219

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

2015	SME SOLUTIONS $'000	PRACTICE SOLUTIONS $'000	ENTERPRISE SOLUTIONS $'000	CORPORATE (INCL. R&D) $'000	TOTAL $'000
(a) Revenue					
Segment revenue	205,027	81,700	41,045	5	327,777
(b) Other profit and loss disclosures					
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 customer in no case exceeded 10% of the Group's sales.

(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
Total	1,157,839	94,852	1,252,691

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

4 REVENUE

	2016 $'000	2015 $'000
Sales revenue		
Revenue from services	**349,536**	309,375
Revenue from sale of goods	**19,358**	18,397
Other	**1,523**	5
	370,417	327,777

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 cover 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 customers 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 New Zealand research and development grants or 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 customer. In the case of products, the physical stock must have been shipped to the customer.

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

	2016 $'000	2015 $'000
One-off marketing costs	1,711	2,424
Integration costs	4,232	4,273
Management fee	–	879
Redundancy/Restructuring costs	1,179	1,716
Initial Public Offering costs	–	19,456
Other	(47)	1,133
Total other expenses	7,075	29,881

One-off marketing costs are associated with brand transformation initiatives.

6 INCOME TAX

	2016 $'000	2015 $'000
(a) Income tax expense/(benefit)		
Current tax expense/(benefit)	6,378	(1,262)
Deferred tax	14,018	(19,087)
Adjustments for current tax of prior periods	(642)	(4,481)
Income tax expense/(benefit)	19,754	(24,830)
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	9,064	(17,364)
Increase/(decrease) in deferred tax liabilities	4,954	(1,723)
	14,018	(19,087)

	2016 $'000	2015 $'000
(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Profit/(loss) from operations before income tax	73,746	(67,087)
Tax expense/(benefit) at the Australian tax rate of 30% (2015 – 30%)	22,124	(20,126)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment, legal fees and management shares	353	812
Research and development rebate[1]	(2,786)	(2,411)
Recouped depreciation on transfer of Greentree commercialised software	1,141	–
DTL on amortisation of acquired intangibles	(6)	679
Sundry items	(337)	613
	(1,635)	(307)
Difference in overseas tax rate	(93)	84
Adjustments for current tax of prior periods	(642)	(4,481)
Income tax expense/(benefit)	19,754	(24,830)
Add/(subtract):		
Deferred tax	(14,018)	19,087
Tax payments made to tax authorities	(480)	(74)
Over/(under) provision in prior years (current tax)	232	(921)
Acquisition of subsidiaries' tax payable	(70)	(17)
Items recognised directly to equity	–	9,060
Net current tax payable[2]	5,418	2,305

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.

2 Current tax payable relates to NZ tax group.

6 INCOME TAX (CONTINUED)

	2016	2015
Effective Tax Rate		
Australian consolidated group only	**25%**	39%
Consolidated group	**27%**	37%

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

Australian group

The effective tax rate for year ended 31 December 2016 is lower than the Australian company tax rate predominantly due to the impact of the research and development rebate, prior period adjustments and tax effect of acquired IP. The effective tax rate excluding the impact of these items is 30%.

Global Consolidated Group

The effective tax rate for year ended 31 December 2016 is lower than the Australian company tax rate predominantly due to impact of the research and development rebate, prior period adjustments and tax effect of acquired IP. The effective tax rate excluding the impact of these items is 31%.

	2016 $'000	2015 $'000
(c) Tax (income) relating to items of other comprehensive income		
Cash flow hedges	**–**	(229)
(d) Amounts recognised directly in equity		
Tax effect of the Group's Initial Public Offering costs	**–**	9,060
(e) Tax losses		
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.

	2016 $'000	2015 $'000
(f) Deferred tax		
Net deferred tax asset	**44,716**	62,525
Comprising:		
Deferred tax asset	**89,007**	98,072
Deferred tax (liability)	**(44,291)**	(35,547)
	44,716	62,525
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Tax losses (carried forward)	**34,759**	53,099
Employee benefits	**3,834**	3,298
Commercialised software	**34,567**	24,972
MYOB brand	**1,396**	1,396
	74,556	82,765
Other:		
Unearned revenue	**3,237**	1,627
Accruals	**1,376**	1,216
Doubtful debts	**263**	205
Make good provision	**549**	491
Business related costs	**8,431**	11,148
Sundry	**595**	620
	14,451	15,307
Total deferred tax assets	**89,007**	98,072
Deferred tax assets expected to be recovered within 12 months	**40,463**	29,135
Deferred tax assets expected to be recovered after more than 12 months	**48,544**	68,937
	89,007	98,072

MOVEMENTS	TAX LOSSES $'000	EMPLOYEE BENEFITS $'000	COMMERCIALISED SOFTWARE $'000	MYOB BRAND $'000	OTHER $'000	TOTAL $'000
At 31 December 2015	53,099	3,298	24,972	1,396	15,307	98,072
(Charged)/credited						
– to profit or loss	(18,340)	536	9,595	–	(856)	(9,065)
At 31 December 2016	34,759	3,834	34,567	1,396	14,451	89,007

6 INCOME TAX (CONTINUED)

	2016 $'000	2015 $'000
Deferred tax liability		
The balance comprises temporary differences attributable to:		
Customer relationships	**25,662**	28,137
Amortisable acquired brand	**1,596**	2,353
Capitalised product development	**17,023**	4,149
Other	**10**	908
Total deferred tax liabilities	**44,291**	35,547
Deferred tax liabilities expected to be settled within 12 months	**6,063**	4,044
Deferred tax liabilities expected to be settled after more than 12 months	**38,228**	31,503
	44,291	35,547

MOVEMENTS	CUSTOMER RELATION-SHIPS $'000	AMORT-ISABLE ACQUIRED BRAND $'000	CAPITALISED PRODUCT DEVELOP-MENT $'000	OTHER $'000	TOTAL $'000
At 31 December 2015	28,137	2,353	4,149	908	35,547
Charged/(credited)					
– to profit or loss	(6,064)	(958)	12,874	(898)	4,954
– acquired through business combinations	3,589	201	–	–	3,790
At 31 December 2016	25,662	1,596	17,023	10	44,291

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 AND JUDGEMENTS

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.

Voluntary Tax Transparency Code

MYOB is signatory to the Board of Taxation's Corporate Tax Transparency Code Register. This reflects MYOB's commitment to the Voluntary Tax Transparency Code ('TTC'). MYOB is classified as a medium business (Australian turnover between A$100m and A$500m) under the TTC. Part A tax disclosures as required by the TTC has been included in this report as follows:

- A reconciliation of accounting profit to tax expense and to income tax paid or income tax payable
  This information is disclosed in note 6(b) to the Consolidated Financial Statements in this annual report.
- Identification of material temporary and non-temporary differences
  This information is disclosed in note 6(b) and 6(f) to the Consolidated Financial Statements in this annual report.
- Accounting effective company tax rates for Australian and global operations
  This information is disclosed in note 6(b) to the Consolidated Financial Statements in this annual report.

7 INTANGIBLE ASSETS, GOODWILL AND PPE

INTANGIBLE ASSETS, GOODWILL

2016	BRANDS $'000	CUSTOMER RELATIONSHIPS $'000	COMMERCIALISED SOFTWARE $'000	GOODWILL $'000	IN-HOUSE SOFTWARE $'000	ACQUIRED IP $'000	TOTAL $'000
At 1 January 2016, net of accumulated amortisation	120,343	94,920	122,977	839,423	41,327	–	1,218,990
Additions	–	–	–	–	26,879	–	26,879
Additions through business combinations	670	12,244	5,357	12,447	–	–	30,717
Acquired	–	–	–	–	1,200	–	1,200
Amortisation	(3,193)	(20,698)	(33,531)	–	(12,651)	–	(70,073)
Net foreign currency movements arising from foreign operations	–	493	1	2,046	(13)	–	2,527
At 31 December 2016, net of accumulated amortisation	117,820	86,959	94,804	853,916	56,742	–	1,210,240
At 1 January 2016							
Cost (gross carrying amount)	127,248	194,362	254,802	839,423	67,184	–	1,483,019
Accumulated amortisation and impairment	(6,905)	(99,442)	(131,825)	–	(25,857)	–	(264,029)
Net carrying amount	120,343	94,920	122,977	839,423	41,327	–	1,218,990
At 31 December 2016							
Cost (gross carrying amount)	127,918	207,502	260,159	853,916	95,251	–	1,544,746
Accumulated amortisation and impairment	(10,098)	(120,543)	(165,355)	–	(38,510)	–	(334,506)
Net carrying amount	117,820	86,959	94,804	853,916	56,742	–	1,210,240

7 INTANGIBLE ASSETS, GOODWILL AND PPE (CONTINUED)

2015	BRANDS $'000	CUSTOMER RELATIONSHIPS $'000	COMMERCIALISED SOFTWARE $'000	GOODWILL $'000	IN-HOUSE SOFTWARE $'000	ACQUIRED IP $'000	TOTAL $'000
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
Transfer	–	–	–	–	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
At 1 January 2015							
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
At 31 December 2015							
Cost (gross carrying amount)	127,248	194,362	254,802	839,423	67,184	–	1,483,019
Accumulated amortisation and impairment	(6,905)	(99,442)	(131,825)	–	(25,857)	–	(264,029)
Net carrying amount	120,343	94,920	122,977	839,423	41,327	–	1,218,990

(a) Impairment tests for goodwill, intangible assets and PPE

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, GOODWILL AND PPE (CONTINUED)

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

2016	SME SOLUTIONS $'000	PRACTICE SOLUTIONS $'000	ENTERPRISE SOLUTIONS $'000	TOTAL $'000
Identified intangible assets:				
Indefinite life Brand	70,905	28,496	13,099	112,500
Acquired Brand	4,285	–	1,035	5,320
Commercialised software/copyright	63,543	25,093	6,167	94,803
Customer relationships	28,896	43,653	14,410	86,959
Internally generated software	16,974	25,970	13,798	56,742
Goodwill	534,953	207,822	111,141	853,917
Total intangible assets	**719,556**	**331,034**	**159,650**	**1,210,240**

2015	SME SOLUTIONS $'000	PRACTICE SOLUTIONS $'000	ENTERPRISE SOLUTIONS $'000	TOTAL $'000
Identified intangible assets:				
Indefinite life Brand	70,905	28,496	13,099	112,500
Acquired Brand	6,884	–	959	7,843
Commercialised software/copyright	86,869	34,219	1,889	122,977
Customer relationships	39,259	52,079	3,582	94,920
Internally generated software	15,121	14,853	11,353	41,327
Goodwill	533,381	207,822	98,220	839,423
Total intangible assets	752,419	337,469	129,102	1,218,990

The recoverable amount of a cash-generating unit is determined based on its value in use. These calculations use cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-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

	2016	2015
Nominal discount rate (pre tax)	13.36%	13.18%
Terminal growth rate	2.50%	2.50%

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

Terminal growth rate is the expected industry growth rate.

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

Management used historical amounts (allocation methodology at the time was around 2015 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 2016. An increase of 1.0% in the pre tax discount rate of 13.4% or a 4% decrease in Revenue cashflow forecasts does not result in an impairment of intangible assets at 31 December 2016. 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 2016. No reasonably possible change in assumptions would lead to an impairment at 31 December 2016.

PPE

Property, plant and equipment of $19.5m (2015: $15.2m) includes plant and equipment and leasehold improvements.

7 INTANGIBLE ASSETS, GOODWILL AND PPE (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.

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 assets

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

	COMMERCIALISED SOFTWARE	INTERNALLY GENERATED SOFTWARE	CUSTOMER RELATIONSHIPS	INTELLECTUAL PROPERTY	BRANDS[1]
Method used[2]	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, IMS and Greentree (original cost $15.4 million) are being amortised over their perceived useful life of four to five years.

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

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

CLASS OF ASSETS	DEPRECIATION PERIOD
Plant and Equipment	3-5 years
Leasehold Improvements	3-8 years[1]

1 or duration of lease, whichever is shorter.

Gains or losses on disposal

Gains or losses arising from the sale of an asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is sold.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Carrying value of goodwill and indefinite lived intangible assets

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

Useful life of intangible assets

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

Capitalisation of internally generated software

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

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

8 BUSINESS COMBINATIONS

GREENTREE

On 1 August 2016, MYOB Finance NZ Limited, a wholly owned 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 NZD 28.5 million (made up by: NZD 27.98 million cash payment and net cash/working capital adjustments).

The strategic rationale for the Greentree acquisition was:

- extending MYOB's mid-market leadership into larger enterprise business offerings and increasing the total addressable market (TAM),
- enabling MYOB to apply its marketing and distribution resources to accelerate growth through the existing Greentree channel, and
- allowing MYOB to leverage Greentree's large company expertise and provide its leading online capabilities to the current Greentree product range.

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

	$'000
Cash	26,764
Total purchase consideration	**26,764**

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

	FAIR VALUE $'000
Cash and cash equivalents	3,944
Property, plant and equipment	80
Receivables/Prepayments	2,747
Payables	(1,054)
Unearned revenue	(5,881)
Net identifiable liabilities acquired	(164)
Goodwill	12,447
Intellectual property – Brand	670
Intellectual property – Customer Relationships	12,244
Intellectual property – Commercialised Software	5,357
Deferred tax liability	(3,790)
Net assets acquired	**26,764**

(i) Transaction costs

Transaction costs of $0.4 million have been expensed in the period in relation to the business combination.

(ii) Revenue contribution

The acquired business contributed revenue of $6.2 million to the Group for the period from 1 August 2016 to 31 December 2016.

If the acquisition had occurred on 1 January 2016, the contributed revenue for the full year ended 31 December 2016 would have been $14.9 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 INTEREST-BEARING LOANS AND BORROWINGS

2016	MATURITY	$'000 CURRENT	MATURITY	$'000 NON-CURRENT
Secured bank loan [1]	–	–	2019	435,554
Finance leases [2]	2019	437	2019	475
Less: debt transaction costs	–	–	–	(1,246)
		437		434,783

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

1 The Group's $435.6 million (2015: $434.5 million) bank debt is provided by a syndicate of five banks (2015: five banks) each holding between 18% and 21%. This debt is not repayable until the facility termination date in 2019.

2 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.

FINANCE COST	2016 $'000	2015 $'000
Interest expense on senior debt	15,307	26,056
Interest expense on subordinated notes	–	5,674
	15,307	31,730
Debt transaction costs amortised	533	1,710
Debt transaction costs written off as part of IPO	–	10,038
Interest expense on Redeemable preference shares and loan notes	–	22,463
Penalty interest (break fee) on settlement of Loan Notes on IPO	–	54,703
Total interest expense	**15,840**	120,644

The Group also has a $49 million (2015: $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 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 (in 2015) included a $54.7 million break fee (refer table above).

During the reporting period, the Group has used the cash and assets readily convertible to cash that it had at the time of admission to the ASX (in 2015) in a way consistent with its business objectives.

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

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.

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

10 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 different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates, aging analysis for credit risk and economic trend and major competitor performance analysis to determine market risk.

The main risks arising from the Group's financial instruments are currency risk, interest rate risk, liquidity risk and credit 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 2016, the Group had the following exposure to various foreign currencies.

	NEW ZEALAND DOLLARS		MALAYSIAN RINGGIT	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash	**12,346**	8,955	**22**	126
Accounts receivable	**7,545**	4,528	**–**	–
Accounts payable	**(2,902)**	(2,011)	**(11)**	(20)
Borrowings	**(39,866)**	(38,487)	**–**	–
	(22,877)	(27,015)	**11**	106

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date. As at 31 December 2016, had the Australian Dollar moved, with all other variables held constant, equity would have been affected as illustrated in the table below:

	HIGHER/(LOWER)	
	2016 $'000	2015 $'000
Judgements of reasonably possible movements:		
Consolidated		
AUD/NZD + 10%	**(2,288)**	(2,702)
AUD/NZD – 5%	**1,144**	1,351
AUD/MYR + 10%	**1**	11
AUD/MYR – 5%	**(1)**	(5)

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

Based on the current year foreign exchange gain of $0.22 million, had the Australian Dollar moved by 10% (decrease/increase) with all other variables held constant, post tax profit would have been affected by $0.02 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. During 2016 and 2015, 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 no interest rate caps contracts outstanding:

0% (2015: 38%) of the bank loans below are hedged.

	2016		2015	
	BALANCE $000'S	WEIGHTED AVERAGE INTEREST RATE	BALANCE $000'S	WEIGHTED AVERAGE INTEREST RATE
Bank loans	**435,554**	**3.21%**	434,487	4.02%
Net exposure to cash flow excluding interest rate caps	**435,554**		434,487	
		Interest rate – caps		Interest rate – caps
Interest rate caps	**–**	**0.00%**	(165,025)	5.30% & 10.55%
Net exposure to cash flow including interest rate caps	**435,554**		269,462	

10 FINANCIAL RISK MANAGEMENT (CONTINUED)

During 2016 the Group's hedging instruments (caps) matured per the Group's hedging profile and were not renewed.

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 2016, if interest rates had increased/decreased by 100 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been $3.05 million higher/lower (2015 changes of 100 bps: $3.04 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 customers, including outstanding receivables.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is limited.

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

LIQUIDITY RISK

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

The Group minimises liquidity risk by maintaining a sufficient level of cash and equivalents as well as ensuring the Group has access to the use of credit facilities as required.

(a) Financing arrangements

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

	2016 $'000	2015 $'000
Floating rate		
Expiring within one year (bank overdraft and bill facility)	**–**	–
Expiring beyond one year (bank loans)	**46,132**	46,153
	46,132	46,153

The Group has $46.1 million (2015: $46.2 million) undrawn of its committed 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
At 31 December 2016					
Non-derivatives					
Trade and other receivables	**15,766**	**–**	**–**	**15,766**	**15,766**
Non interest bearing trade payables	**(29,816)**	**–**	**–**	**(29,816)**	**(29,816)**
Borrowings (inc interest)	**(6,994)**	**(7,107)**	**(469,633)**	**(483,735)**	**(435,554)**
Total non-derivatives	**(21,044)**	**(7,107)**	**(469,633)**	**(497,785)**	**(449,604)**
At 31 December 2015					
Non-derivatives					
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)
Total non-derivatives	(21,004)	(8,370)	(474,619)	(503,993)	(447,255)

10 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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: Disclosures* 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 2016 (and December 2015), the Group had no assets or liabilities measured and recognised at fair value.

11 CONTRIBUTED EQUITY

(a) Issued and paid up capital

	2016 $'000	2015 $'000
599,381,226 Fully paid Ordinary shares (2015: 584,458,701)	**1,141,423**	1,138,097
	1,141,423	1,138,097

(b) Movement in shares on issue

		2016		2015	
	NOTE	NO. SHARES 000's	$'000	NO. SHARES 000's	$'000
Beginning of the financial year		**584,459**	**1,138,097**	354,771	330,928
– issued during the year		**–**	**–**	229,688	828,340
– conversion from performance shares	12	**14,923**	**3,538**	–	–
– Initial Public Offering costs (net of tax)		**–**	**(212)**	–	(21,171)
End of the financial year		**599,381**	**1,141,423**	584,459	1,138,097

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 12).

(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.

12 SHARE-BASED PAYMENTS

(a) Performance shares/Management 'A' shares

In 2015, 21,286,246 Performance shares were issued as part of the Management 'A' shares conversion during the MYOB 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.

Movement of Performance shares:

	2016 NO. SHARES (000's)	2015 NO. SHARES (000's)
Opening balance	**21,113**	–
Number issued (part of Management 'A' share conversion)	**–**	21,286
Number of shares converted at vesting date September 2016	**(14,923)**	–
Number cancelled	**(349)**	(173)
Closing balance	**5,841**	21,113

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).

During the reporting period the first testing date occurred, being 30 September 2016, as noted above. As this was the first test date, and the share price as of this date was $3.73, tier 8 (refer 14.1 Appendix D Share Price Hurdle on page 203 of the prospectus) of the Performance shares program was reached, resulting in 70.83% (14,922,514 Performance shares) of Performance shares held converting to Ordinary shares. The maximum number of shares into which the remaining Performance shares may still convert is 5,841,640 (which would occur if the share price on the remaining testing dates was at least $5.30). Any share price on or above $4.08 on those remaining testing dates will result in a conversion of a portion of the remaining Performance shares.

In 2011, MYOB Group Limited issued management with Management 'A' shares, funded by a non-recourse loan of $3.7 million. During MYOB Group's Initial Public Offering in 2015 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:

	2016 NO. SHARES (000's)	2015 NO. SHARES (000's)
Opening balance	**–**	44,749
Number issued	**–**	3,363
Converted to Ordinary shares/Performance shares	**–**	(48,112)
Closing balance	**–**	–

(b) Expenses arising from share based payments:

	2016 $'000	2015 $'000
Share based payments expense in relation to Performance and Management 'A' shares	**(412)**	(1,440)

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 vested over five years in line with the Management 'A' share scheme and concluded in September 2016.

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.

13 KEY MANAGEMENT PERSONNEL

KEY MANAGEMENT PERSONNEL COMPENSATION

	2016 $'000	2015 $'000
Short-term employee benefits	**4,085**	6,057
Post-employment benefits	**208**	206
Long-term benefits	**45**	191
Share-based payments	**222**	776
	4,560	7,230

Detailed remuneration disclosures are provided in the remuneration report on pages 37 to 45.

LOANS TO KEY MANAGEMENT PERSONNEL

During 2016, there are no loans to key management personnel of the Group.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During 2016 there were no other transactions with key management personnel of the Group.

14 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 2016 owns 56% (2015 – 57%) of the issued Ordinary shares of MYOB Group Limited.

(b) Subsidiaries

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%) 2016	2015
Parent Entity:			
MYOB Group Limited	Australia		
Controlled entities of MYOB Group Limited:			
MYOB Holdings Pty Ltd	Australia	**100**	100
MYOB Acquisition Pty Ltd	Australia	**100**	100
MYOB Australia Pty Ltd	Australia	**100**	100
MYOB Technology Pty Ltd	Australia	**100**	100
Banklink Pty Limited	Australia	**100**	100
PayGlobal Pty Ltd	Australia	**100**	100
Greentree International AU Pty Ltd	Australia	**100**	–
Greentree Services Pty Ltd	Australia	**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**	100
Ace Payroll Intermediary Limited	New Zealand	**100**	100
Information Management Services Limited	New Zealand	**100**	100
MYOB NZ ESS Limited	New Zealand	**100**	100
Greentree FRL Limited	New Zealand	**100**	–
Greentree International New Zealand Limited	New Zealand	**100**	–
Greentree Software UK Limited	New Zealand	**100**	–
Greentree Modules Limited	New Zealand	**100**	–
Greentree Hei Matau Holdings Limited	New Zealand	**100**	–

14 RELATED PARTY TRANSACTIONS (CONTINUED)

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%) 2016	PERCENTAGE OWNED (%) 2015
In Liquidation			
MYOB Asia Sdn Bhd	Malaysia	**100**	100
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 Finance Australia Limited	Australia	**100**	100
MYOB Finance Pty Ltd	Australia	**100**	100
Solution 6 Pty Ltd	Australia	**100**	100

(c) Subsidiaries incorporated

None.

(d) Transactions with other related parties

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

None.

15 DEED OF CROSS GUARANTEE

On 29 June 2015, MYOB Group Limited entered into a Deed of Cross Guarantee with other relevant entities (including 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.

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

	2016 $'000	2015 $'000
Profit/(loss) from ordinary activities before income tax	**79,608**	(60,052)
Pre-acquisition earnings adjustments	**(521)**	–
Income tax benefit/(expense) relating to ordinary activities	**(16,597)**	23,851
Net profit/(loss) from ordinary activities after income tax expense	**62,490**	(36,201)
Retained (loss) at the beginning of the period	**(406,821)**	(240,620)
Transfer from/(to) Profit reserve	**70,000**	(130,000)
Dividends paid	**(62,189)**	–
Net profit/(loss) from ordinary activities after income tax expense	**62,490**	(36,201)
Retained (loss) at the end of the financial year	**(336,521)**	(406,821)

15 DEED OF CROSS GUARANTEE (CONTINUED)

CLOSED GROUP – CONSOLIDATED BALANCE SHEET

	2016 $'000	2015 $'000
Current Assets		
Cash assets	**5,947**	2,171
Trade and other receivables	**41,352**	25,586
Inventories	**192**	503
Other financial assets	**46,697**	30,379
Other	**8,735**	5,721
Total current assets	**102,923**	64,360
Non-current assets		
Property, plant and equipment	**17,511**	13,126
Deferred tax assets	**84,850**	95,841
Intangible assets	**1,110,003**	1,124,284
Investments	**87,474**	74,370
Total non-current assets	**1,299,838**	1,307,621
Total Assets	**1,402,761**	1,371,981
Current liabilities		
Trade and other payables	**55,976**	35,736
Unearned revenue	**33,488**	33,990
Other tax liabilities	**2,832**	2,967
Provisions	**9,852**	9,120
Total current liabilities	**102,148**	81,813
Non-current liabilities		
Interest bearing liabilities	**395,178**	394,380
Deferred tax liabilities	**38,332**	29,671
Provisions	**5,687**	4,607
Total non-current liabilities	**439,197**	428,658
Total Liabilities	**541,345**	510,471
Net Assets	**861,416**	861,510
Equity		
Contributed equity	**1,141,423**	1,138,097
Reserves	**56,514**	130,234
Retained profits	**(336,521)**	(406,821)
Total Equity	**861,416**	861,510

16 PARENT ENTITY FINANCIAL INFORMATION

The financial information for 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 entity show the following aggregate amounts:

	2016 $'000	2015 $'000
Balance Sheet		
Current Assets	**1**	71
Non-current Assets	**1,195,056**	934,930
Total Assets	**1,195,057**	935,001
Current Liabilities	**2**	247
Total Liabilities	**2**	247
Net Assets	**1,195,055**	934,754
Shareholders' equity		
Issued Capital	**1,141,423**	1,138,097
Reserves	**1,457**	–
Retained earnings	**52,175**	(203,343)
Total Equity	**1,195,055**	934,754
Profit/(loss) for the year	**317,706**	(50,024)
Total comprehensive profit/(loss)	**317,706**	(50,024)

(b) Contingent liabilities of the parent entity

There are no contingent liabilities or contingent assets as at 31 December 2016.

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.

17 REMUNERATION OF AUDITORS

	2016 $	2015 $
The auditor of the Group is PricewaterhouseCoopers LLP		
Amounts received or due and receivable by PricewaterhouseCoopers (Australia) for:		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	**399,233**	361,240
Other services in relation to the entity and any other entity in the consolidated entity		
Acquisition related	**483,400**	417,208
Project related	**91,360**	18,870
Initial Public Offering related	**–**	2,531,775
Tax advisory	**169,506**	24,860
	1,143,499	3,353,953
Amounts received or due and receivable by affiliates of PricewaterhouseCoopers (Australia) for:		
An audit or review of the financial report of subsidiary entities	**56,381**	48,760
Other services in relation to the entity and any other entity in the consolidated entity		
Project related	**85,490**	–
Tax advisory	**–**	–
	1,285,370	3,402,713

18 EARNINGS PER SHARE

	2016	2015
Gain/(loss) attributable to ordinary equity holders of MYOB Group Limited ($)	**53,991,921**	(42,257,061)
Weighted average number of Ordinary shares used as the denominator in calculating basic earnings per share (number of shares)	**588,209,635**	504,539,915
Basic earnings per share (cents)	**9.18**	(8.38)
Diluted earnings per share (cents)	**8.92**	(8.38)

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

If the business generated profits for the period, 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.

If the business generated losses for the period diluted earnings per share is equal to basic earnings per share.

19 DIVIDENDS PAID

	2016 $'000	2015 $'000
Final ordinary dividend for the year ended 31 December 2015 of 5.0 cents per fully paid share paid on 5 April 2016	**29,223**	–
Interim ordinary dividend for the year ended 31 December 2016 of 5.5 cents per fully paid share paid on 20 October 2016	**32,966**	–
	62,189	–

The dividend payments above were paid out of the undistributed profit reserve.

20 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:

	2016 $'000	2015 $'000
Within one year	**7,015**	6,500
After one year but not more than five years	**17,234**	20,072
More than five years	**4,220**	7,772
	28,469	34,344

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.

There are no contingent liabilities as at 31 December 2016.

21 INVESTMENTS

	2016 $'000	2015 $'000
Kounta Holdings Pty Limited	**4,315**	4,315
ProjectX, International Limited	**8,210**	8,210
OnDeck	**6,000**	6,000
	18,525	18,525

KOUNTA HOLDINGS PTY LIMITED

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

The Group holds 39.5% of the total shares on issue.

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.

ONDECK

On 15 April 2015 MYOB Acquisition Pty Limited purchased 9,000 preference shares in OnDeck Capital Australia Pty Ltd.

The Group holds 30% of preference shares (all shares) on issue.

ANNUAL REVIEW

All investments were assessed during the reporting period using the process described below. The investments were measured against the accounting standard criteria around control and then on materiality and influence to determine the appropriate accounting treatment. On completion of the assessment it was determined that the investments should continue to be reported as available-for-sale investments.

21 INVESTMENTS (CONTINUED)

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 process involving assessment of materiality and influence. 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.

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 fair value of the investment.

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.

22 EVENTS AFTER THE BALANCE SHEET DATE

On 23 February 2017, the Directors declared an unfranked dividend of 5.75 cents per Ordinary share to be paid on 5 April 2017 to shareholders registered at record date 9 March 2017.

On 23 February 2017, the Group entered into a sale and purchase agreement to acquire 100% of Paycorp Payment Solutions Pty Limited and specified assets for a total consideration of $48m (refer ASX announcement dated 23 February 2017).

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

Directors' Declaration

In the directors' opinion:

(a) The financial statements and notes set out on pages 48 to 76 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 2016 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 15 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 15.

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, 23 February 2017

Independent Auditor's Report

TO THE SHAREHOLDERS OF MYOB GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Our opinion

In our opinion:

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

a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended

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

What we have audited

The Group's financial report comprises:

- the consolidated balance sheet as at 31 December 2016
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration

Basis for opinion

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

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

Independence

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

Our audit approach

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

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

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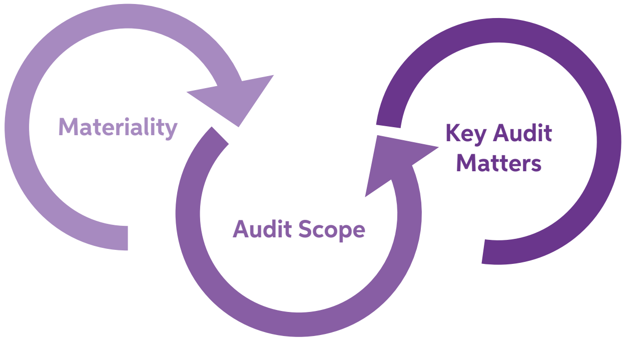

MATERIALITY

- For the purpose of our audit, we used Group overall materiality of $4m which is based on approximately 2.5% of the Group's earnings before interest, tax, depreciation and amortisation (EBITDA).
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose EBITDA because, in our view, it is the metric against which the performance of the Group is most commonly measured. For instance it formed the basis of the Group's IPO prospectus forecasts and is a generally accepted benchmark in the industry.
- We selected 2.5% based on our professional judgement noting that it is within the range of commonly acceptable earnings related thresholds.

AUDIT SCOPE

- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group operates across Australia and New Zealand. Acting under our instructions, component auditors performed an audit of the financial information of MYOB New Zealand as it is financially significant to the Group. The remaining audit procedures were performed by PwC Australia.

KEY AUDIT MATTERS

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Management Committee:
  - Carrying value of goodwill and indefinite life intangible assets.
  - Capitalisation of internally generated software.
  - Useful life of intangible assets.
  - Recovery of deferred tax assets.
- These are further described in the key audit matters section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Carrying value of goodwill and indefinite life intangible assets *Refer to note 7 in the financial report* The Group has $1,210m of intangible assets comprised of goodwill, brands, commercialised software, in-house developed software and customer relationships. These assets are assessed for impairment for each cash generating unit (CGU), being the operating segments, through the use of discounted cash flow models (the models). The assessment of whether an impairment charge was necessary was a key audit matter as these balances are the largest asset on the balance sheet and because the assessment involved significant judgement by the Group, including forecasting the following key assumptions: • Future cash flows for 2017–2021 • Nominal discount rate • Terminal growth rate	We performed a number of procedures including the following: • Assessed whether the division of the Group into CGUs at a segment level was consistent with our knowledge of the Group's operations and internal Group reporting. • Evaluated the methodology applied by the Group in allocating corporate assets and costs across CGUs. • Considered whether the methodology in the models was consistent with the basis required by Australian Accounting Standards. • Compared the cash flow forecasts for 2017 in the models to those in the latest Board approved budgets. • Evaluated the Group's ability to forecast future results for impairment models by comparing budgets with reported actual results for the previous year. • Assessed whether the growth rate assumptions in the models' forecasts were consistent with our understanding of key metrics such as the historic customer retention rates, number of paying users and the average revenue per paying user. • Evaluated the appropriateness of the nominal discount rate by assessing the reasonableness of the relevant inputs to the calculation. • Evaluated the appropriateness of the terminal growth rate by comparison to the long term average growth rates of the countries the Group operates in, being Australia and New Zealand. • Evaluated the adequacy of the disclosures made in note 7 of the financial report, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.
Capitalisation of internally generated software *Refer to note 7 in the financial report* During the year, the Group capitalised internal software development project costs of $27m. These projects were predominantly in relation to the development of the MYOB Platform. The costs mainly comprised of payroll. The Group's accounting policy is described in note 7 in the financial report. The capitalisation of internally generated software costs was a key audit matter due to the size of the internal costs capitalised and the judgement involved in assessing whether the criteria set out in the Australian Accounting Standards required for capitalisation of such costs had been met, particularly: • The technical feasibility of the project • The likelihood of the project delivering sufficient future economic benefits. The Group's judgements also included whether capitalised costs were of a developmental rather than research nature (which would result in the costs being expensed rather than capitalised) and whether costs, including payroll costs, were directly attributable to relevant projects.	We performed a number of procedures including the following: • Discussed project plans with management and project leaders to develop an understanding of the nature and feasibility of key projects at 31 December 2016. • On a sample basis, agreed payroll costs capitalised to supporting payroll records and assessed the determination of these as capital or not. • Assessed key metrics that support the future income stream of a selection of the projects including assessing the number of users who have migrated to newly released products to examine whether the initial assumptions applied in determining project feasibility continue to hold true.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Useful life of intangible assets *Refer to note 7 in the financial report* On at least an annual basis, the Group assesses its portfolio of intangibles assets and uses judgement to determine whether the assets have a finite or indefinite useful life. In making this determination at 31 December 2016, the Group used information regarding the long-term strategy for brands, the level of growth or decline of the markets that the brands operate in, the history of the market and the brand's position within that market. If a brand is assessed as having a finite life, the Group use judgement to determine the useful life of the brand and consider the period over which expected cash flows will continue to be derived in making that decision. On this basis, the MYOB brand intangible asset is carried on the balance sheet at $112.5m and is classified as indefinite lived and as such is not amortised. Other acquired brands have a useful life of between 4-5 years based on the judgements described above. Additionally, the Group carries intangible assets of $239m in relation to: • In-house Software; • Commercialised Software; and • Customer Relationships. As the Group continues to invest in on-going development of new and existing products we also focussed on the useful lives of this existing capitalised software. The assessment of useful lives of intangible assets was a key audit matter due to the judgement involved and the potential impact on the profit from the amortisation expense.	We performed a number of procedures including the following: • Assessed the Group's intentions to continue to use the MYOB brand name, considering the brand transformation undertaken in 2016. • Evaluated the Group's assessment that the useful lives of intangible assets remained appropriate at year end. This included performing a 'look back' analysis that compared the actual retention results to the assumed retention rate that formed the determination of useful life at acquisition. • Assessed the valuation methodology and determination of useful lives of identified intangible assets from the Greentree acquisition in the year. • Considered the useful life of the existing commercialised software through understanding the Group's anticipated migration rates from existing to newly released products. • Tested amortisation expense for definite life intangible assets and found the expense to be calculated consistently with the Group's stated amortisation rates.
Recovery of deferred tax assets *Refer to note 6 in the financial report* The Group recognised gross deferred tax assets of $89m at 31 December 2016, of which $34.8m arises from tax losses carried forward. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. This was a key audit matter due to the quantum of the accumulated losses as well as the judgment behind preparing forecasts to demonstrate the future utilisation of these losses in accordance with the requirements of Australian Accounting Standards.	We performed a number of procedures including the following: • Assessed the factors that led to the tax losses in previous years and their partial utilisation within 2016 as the Group shifted from a loss before tax in 2015 to a profit before tax in 2016. • Assessed the forecasted profits over the relevant utilisation period and evaluated whether the forecasts had been appropriately adjusted for the differences between accounting profits, presented in the board approved budget, to taxable profits. • Examined the ability to carry forward the tax losses for future use in reference to Australian Accounting Standards and tax law. • Recalculated deferred tax asset balances which comprise a combination of timing differences between tax and accounting values and tax losses.

Other information

The directors are responsible for the other information. The other information comprises the Business Review, Directors' Report, Shareholder Information and Corporate Directory included in the Group's annual report for the year ended 31 December 2016 but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

REPORT ON THE REMUNERATION REPORT

Our opinion on the remuneration report

We have audited the remuneration report included in pages 37 to 45 of the directors' report for the year ended 31 December 2016.

In our opinion, the remuneration report of MYOB Group Limited for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Nadia Carlin

Nadia Carlin
Partner

23 February 2017

Shareholder Information

ORDINARY SHARES (ASX LISTED)

TOP 20 SHAREHOLDERS

As at 31 January 2017, the twenty largest holders of Ordinary shares held 567,809,222 Ordinary shares, equal to 94.73% of the total issued ordinary capital.

RANK	NAME	ORDINARY SHARES	%IC
1	BAIN CAPITAL ABACUS HOLDINGS	337,151,360	56.25
2	J P MORGAN NOMINEES AUSTRALIA	81,199,209	13.55
3	HSBC CUSTODY NOMINEES	61,945,303	10.33
4	NATIONAL NOMINEES LIMITED	19,395,039	3.24
5	CITICORP NOMINEES PTY LIMITED	18,640,344	3.11
6	TIMOTHY REED	10,695,514	1.78
7	BNP PARIBAS NOMINEES PTY LTD	7,602,038	1.27
8	UBS NOMINEES PTY LTD	6,004,423	1.00
9	CITICORP NOMINEES PTY LIMITED	4,815,477	0.80
10	BNP PARIBAS NOMS PTY LTD	4,515,220	0.75
11	ADAM FERGUSON	3,163,773	0.53
12	ANDREW WILLIAM BIRCH	2,155,778	0.36
13	UBS NOMINEES PTY LTD	1,932,771	0.32
14	AVANTEOS INVESTMENTS LIMITED	1,845,313	0.31
15	RICHARD MOORE	1,599,405	0.27
16	JAMES SCOLLAY	1,434,607	0.24
17	AVANTEOS INVESTMENTS LIMITED	1,119,212	0.19
18	JOHN MOSS	982,171	0.16
19	SIMON RAIK-ALLEN	822,574	0.14
20	RBC INVESTOR SERVICES	789,691	0.13
	Total	**567,809,222**	**94.73**
	Balance of register	**31,572,004**	**5.27**
	Grand total	**599,381,226**	**100.00**

DISTRIBUTION OF SHAREHOLDINGS (AS AT 31 JANUARY 2017)

RANGE	ORDINARY SHARES	%	NO. OF HOLDERS
100,001 and Over	579,945,226	96.76	82
10,001 to 100,000	12,056,946	2.01	404
5,001 to 10,000	2,936,877	0.49	416
1,001 to 5,000	3,840,693	0.64	1,919
1 to 1,000	601,484	0.10	1,433
Total	**599,381,226**	**100.00**	**4,254**
Less than marketable parcels	**3,475**	**–**	**77**

SUBSTANTIAL SHAREHOLDINGS (AS AT 31 JANUARY 2017)

SHAREHOLDER	NUMBER OF ORDINARY SHARES IN WHICH THE SUBSTANTIAL SHAREHOLDER HAS A RELEVANT INTEREST
Bain Capital Abacus Holdings, L.P.	356,135,364
FIL Investment Management (Australia) Limited	34,340,805
FIL Investment Management (Hong Kong) Limited	2,977,084
FIL Limited	22,815
UBS Group AG	37,627,425

ESCROW

As at 31 January 2017, a total of 24,414,516 Ordinary shares were subject to voluntary escrow. These shares will be released from escrow as follows:

- 9,491,985 Ordinary shares will be released from escrow at 4:15pm (Sydney time) on the day the Company releases its preliminary final report with respect to the half year ending 30 June 2017; and
- 14,922,514 Ordinary shares will be released from escrow on 30 September 2017.

SHAREHOLDER INFORMATION (CONTINUED)

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.

UNLISTED PERFORMANCE SHARES

As at 31 January 2017, there were a total of 5,841,640 unlisted Performance shares on issue.

SHAREHOLDING DISTRIBUTION SCHEDULE

RANGE	SECURITIES	%	NO. OF HOLDERS
100,001 and Over	4,164,687	71.29	10
10,001 to 100,000	1,670,745	28.60	43
5,001 to 10,000	6,208	0.11	1
1,001 to 5,000	–	–	–
1 to 1,000	–	–	–
Total	**5,841,640**	**100.00**	**54**

VOTING RIGHTS

Performance shareholders have no voting rights (subject to any rights under the *Corporations Act 2001* 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
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Telephone: +61 1300 554 474

AUDITOR

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

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MYOB.COM

simplify success