1 December 2008

The Manager
Company Announcements Office
ASX Limited

Dear Sir/Madam

MYOB Limited (ASX: MYO) – takeover bid by Manhattan Software Bidco Pty Limited
Target's Statement

We attach, by way of service pursuant to item 14 of section 633(1) of the Corporations Act 2001 (Cth), a copy of the target's statement of MYOB Limited (MYOB) in response to the off-market takeover bid by Manhattan Software Bidco Pty Limited for all the ordinary shares in MYOB. together with all additional information sent to offerees (as required by section 633(7) of the Corporations Act 2001 (Cth)).

Yours faithfully

ROBERT RESIDE
Company Secretary

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THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT ABOUT HOW TO DEAL WITH THIS DOCUMENT, YOU SHOULD CONTACT YOUR BROKER, FINANCIAL ADVISER OR LEGAL ADVISER IMMEDIATELY.

MYOB Limited

ACN 086 760 303

Target's Statement

In response to the off-market takeover bid made by Manhattan Software Bidco Pty Limited

REJECT

Your directors unanimously recommend that you **reject** the takeover offer from Manhattan Software

Shareholder information line: 1300 542 251 (for calls made from within Australia) and +613 9415 4672 (for calls made from outside Australia)

MACQUARIE

Financial Adviser

HELFEN CORPORATE ADVISORY

Financial Adviser

Freehills

Legal Adviser

Key dates

Date of Manhattan Software's Offer

18 November 2008

Date of this Target's Statement

1 December 2008

Close of Manhattan Software's Offer Period (unless extended or withdrawn)

7.00pm Sydney time on 18 December 2008

MYOB shareholder information

MYOB has established a shareholder information line which MYOB shareholders may call if they have any queries in relation to Manhattan Software's Offer. The telephone number for the shareholder information line is **1300 542 251** (for calls made from within Australia) or **+613 9415 4672** (for calls made from outside Australia).

MYOB notifies shareholders that calls to the shareholder information line may be recorded and stored.

Further information relating to Manhattan Software's Offer can be obtained from MYOB's website at www.myob.com.

Important notices

Nature of this document

This document is a Target's Statement issued by MYOB under Part 6.5 Division 3 of the Corporations Act in response to Manhattan Software's Bidder's Statement and Offer.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in section 8 of this Target's Statement.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which MYOB operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of MYOB, MYOB's officers, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

ASIC disclaimer

A copy of this Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for the content of this Target's Statement.

Contents

Chairman's letter

1 December 2008

Dear Shareholder

Reject the takeover offer by Manhattan Software

You should recently have received a Bidder's Statement from Manhattan Software containing an unsolicited, highly conditional offer to acquire your MYOB Shares for $1.0215 per MYOB share. The Offer increases to $1.1215 provided certain further conditions are satisfied.

The Board has reviewed Manhattan Software's Offer in detail and unanimously recommends that you REJECT the Offer. To reject the Offer, simply do nothing.

Your directors believe the key reasons you should **REJECT** Manhattan Software's Offer are:

1. **MYOB is a unique Australian software success story**

   The Offer fails to reflect MYOB's unique position, and in particular:

   - Fails to reflect MYOB's clear market leading position in Australia and New Zealand.
   - Fails to reflect MYOB's strong revenue growth, cash generation and active capital and portfolio management which has seen MYOB return $143.2m to shareholders and improve and refocus its business in 2008.
   - Fails to reflect MYOB's positive outlook for FY2009.

2. **Manhattan Software's Offer is inadequate and undervalues MYOB**

   - The Manhattan Software Offer represents a low premium to the MYOB share price prior to the Offer and comparable trading multiples.
   - The Manhattan Software Offer represents a discount to recent transaction multiples.

3. **The Independent Expert, Lonergan Edwards, has concluded that the Offer is neither fair nor reasonable**

   The Independent Expert has assessed the value of MYOB Shares to be between $1.16 and $1.29 per share.

4. **The Offer is opportunistic**

   Manhattan Software is seeking to take advantage of the global financial crisis by acquiring MYOB cheaply and without an adequate premium for control. Despite the global financial crisis MYOB is continuing to perform well, has a diverse client base and strong balance sheet.

5. **The Offer is highly conditional, resulting in an uncertain outcome if you accept**

   The Offer incorporates many unusual conditions, some of which are not able to be satisfied. If you accept the Offer, there is no guarantee that the Offer price will be increased to $1.1215.

6. **Your Board has commenced discussions with parties interested in presenting alternative proposals regarding a possible change in control of MYOB**

   - Your Board is seeking to test whether an alternative offer that recognises the full value of MYOB can be put to shareholders. A number of parties are currently in discussions with the Board, which may result in an alternative offer being made for MYOB.
   - While your Board is seeking to progress these discussions, there is no assurance that an alternative proposal will be made.

Detailed reasons for reaching our conclusion are set out in this document. You should read these carefully.

Each of your directors who hold MYOB Shares (which total approximately 29% of MYOB Shares, in aggregate) intend to reject the Offer in relation to those Shares.

MYOB is a home grown, Australian business. It has been built over 18 years through the dedication and commitment of a large number of people. Today MYOB serves over 700,000 SMEs and Accountants.

MYOB has an extremely powerful brand which is trusted by business owners and represents quality, service and reliability. We believe that these characteristics provide the platform from which MYOB will continue to expand its solution set, and to translate this expanded solution set into superior revenue and profit growth. Technology and communications infrastructure continues to advance at a fast pace, and MYOB is extremely well positioned to assist SMEs to make the most of these changes.

We don't believe that the Offer places sufficient value on these unique assets.

We recommend that you read the Target's Statement in full and consider the Offer having regard to your own personal risk profile, investment strategy and tax position.

If you have any questions, please call the MYOB shareholder information line on 1300 542 251 (for calls made from within Australia) or +613 9415 4672 (for calls made from outside Australia).

Yours sincerely

Simon V. McKeon

Simon McKeon
Chairman

How to REJECT Manhattan Software's Offer

1 To **REJECT** Manhattan Software's Offer, **DO NOTHING**

2 Read this Target's Statement, which contains your Board's recommendation to **REJECT** Manhattan Software's Offer and the reasons for the recommendation

3 If you have any questions call the MYOB shareholder information line on **1300 542 251** (for calls made from within Australia) or **+613 9415 4672** (for calls made from outside Australia) between 9.00am and 5.00pm

SECTION 1

Reasons why your directors recommend you should **REJECT** Manhattan Software's Offer

SUMMARY

1 MYOB is a **unique** Australian software success story

- MYOB is the clear market leader in Australia and New Zealand
- MYOB is a growth company delivering strong revenue growth and cash generation even in a difficult market, with expectations for continued strong growth in FY2009 despite the economic outlook
- MYOB has returned $143.2m (36.89 cents per share) in capital returns and dividend payments to shareholders in 2008

2 Manhattan Software's Offer is **inadequate** and **undervalues** your MYOB Shares

The Manhattan Software Offer represents:

- a low premium to the MYOB share price prior to the Offer and comparable trading multiples; and
- a discount to recent transaction multiples

3 The Independent Expert has concluded that the Manhattan Software Offer is neither fair nor reasonable

The Independent Expert has assessed the value of MYOB Shares to be between $1.16 and $1.29 per MYOB Share

4 The Manhattan Software Offer is highly **opportunistic**

Manhattan Software is seeking to take advantage of the global financial crisis by acquiring MYOB cheaply and without an adequate premium. Despite the global financial crisis MYOB is continuing to perform well, has a diverse client base and strong balance sheet

5 The Manhattan Software Offer is highly **conditional**

The Manhattan Software Offer incorporates many unusual conditions, some of which may not be able to be satisfied

6 Your Board has commenced discussions with parties interested in presenting alternative proposals regarding a possible change in control of MYOB

Accepting the Manhattan Software Offer means you may not be in a position to participate in alternative proposals, should any eventuate

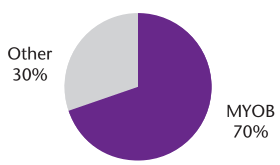
1 MYOB is a unique Australian software success story

Number one market position

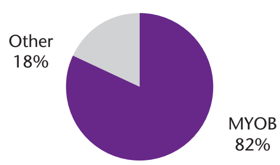
MYOB is the clear number one provider of both business management software for small-medium businesses (SMEs) and accountants in Australia, New Zealand, Hong Kong and Singapore. MYOB provides its software, services and support to more than 700,000 businesses and accounting practices. In the Australian and New Zealand Business Division (which is the greatest contributor to earnings), independent data demonstrates that MYOB is the clear market leader.

MYOB SME market share[1]

Market Share – Australian SME market



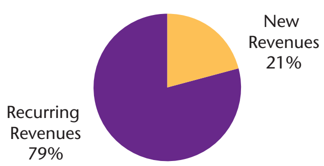
Market Share – NZ SME market



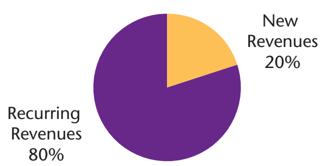
High rate of recurring revenues[2] across all of its Australian and New Zealand business

- MYOB has a consistently high rate of recurring revenue and strong underlying cashflow across its Australian and New Zealand business.
- Recurring revenues are revenues derived from annual essential services and upgrades provided to existing clients and are expected to prove resilient in any business downturn.

Revenues - 2007



Revenues - 2008



Strong performance despite economic environment

- Due to the recurring nature of the earnings profile of the business, MYOB's trading performance and outlook remain strong, driven by high levels of recurring revenues from the provision of services to SMEs and accountants around core operating systems in their business/practice.
- MYOB is forecasting significant revenue growth and EBITDA growth of 5% in FY2008[3] notwithstanding the difficult economic conditions, particularly in New Zealand.
- MYOB has achieved a compound annual growth rate of 9.9% in revenues, with significant leverage in earnings, reflected in 14.1% growth in EBITDA during the period FY2006 to FY2008.[4]

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[1] Source: GfK market statistics data by value – Australian Finance Software retail data for 31 October 2008, New Zealand data for 30 September 2008.

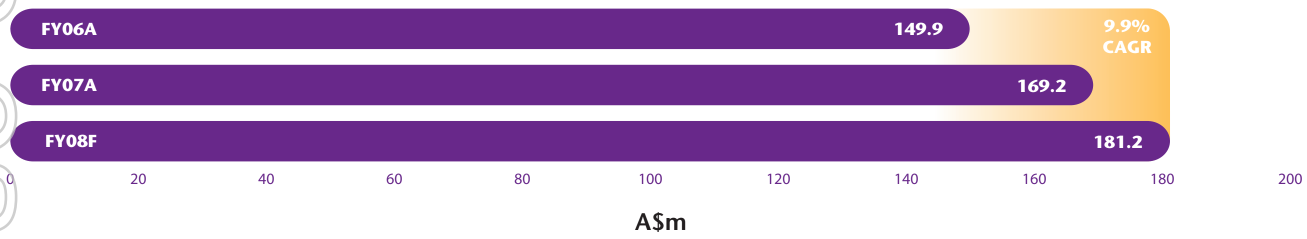
[2] Recurring revenues are revenues derived from annual services and upgrades provided to existing clients. Total revenues are based on continuing businesses.

[3] EBITDA refers to EBITDA of continuing businesses – see section 4 of this Target's Statement for reconciliation to EBITDA as per market guidance. FY2008 results are based on 10 months actual trading results to 31 October 2008 and 2 months of forecasts which have been reviewed by Ernst & Young Transaction Advisory Services Limited as part of an Independent Accountant's Report – see section 4 which provides further details on the forecasts, including the relevant assumptions and qualifications. While MYOB has prepared the directors' forecast with due care and attention, shareholders should be aware of the risks and uncertainties facing MYOB's operations as outlined in section 4 of this Target's Statement.

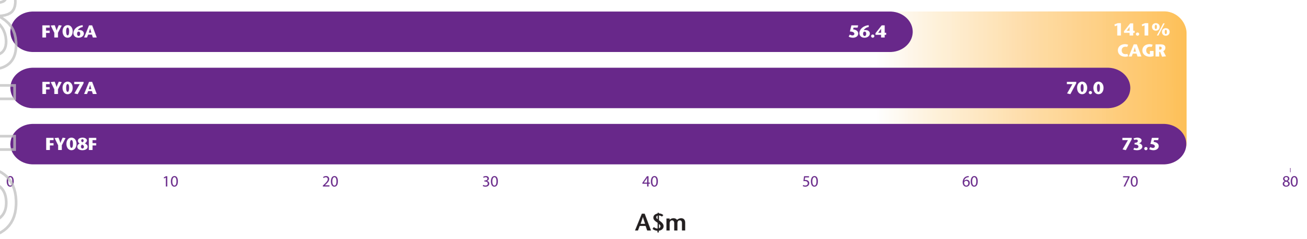
[4] See footnote 3 above.

MYOB is a unique Australian software success story

Revenue growth



EBITDA growth



Note:

- Revenue and EBITDA refer to continuing businesses – see section 4 of this Target's Statement for reconciliation to revenue and EBITDA as per market guidance.
- 2008 EBITDA is based on 10 months actual trading results to 31 October 2008 and 2 months of forecasts which have been reviewed by Ernst & Young Transaction Advisory Services Limited as part of an Independent Accountant's Report – see section 4.
- While MYOB has prepared the directors' forecast with due care and attention, shareholders should be aware of the risks and uncertainties facing MYOB's operations as outlined in section 4.

Positive outlook[5]

- MYOB has a positive outlook for FY2009, and is projecting strong revenue growth and EBITDA growth of not less than 10%, despite the expected difficult economic climate.
- The projected growth in FY2009 revenues is primarily driven by growth in core business recurring revenues (consistent with current experience and outlook) and after adjusting for the full year impact of business acquisitions and other initiatives undertaken part way through FY2008.
- Confidence in this outlook is increased by actions in FY2008 to change some fixed costs into variable costs which can be reduced in the event revenue growth is softer than expected.

[5] Refer to section 4.6 of this Target's Statement for details on the assumptions and qualifications underlying this outlook statement.

Large cash return to shareholders

- MYOB's strong balance sheet, approach to capital management and cash generation has underpinned its ability to return $143.2m in total or 36.89 cents per share to shareholders in capital returns and dividend payments in FY2008. This includes capital repatriated from the UK on the sale of the UK operations in 2008.
- These returns include a final dividend of 3.25 cents per share in respect of the FY2007 and a special dividend of 2.76 cents per share, both fully franked.

Recent initiatives support the earnings growth profile with an annualised pro-forma 2008 Adjusted EBITDA benefit of $6.2m

These initiatives involve:

- Exit of the mainland China business, as MYOB's Asian operations are reorganised to focus exclusively on MYOB's market leading operations in Hong Kong and Singapore and number two position in Malaysia. This will result in a substantial decrease in on-ground costs in China, including product development spend.
- New agreements with MYOB's US distributor Acclivity to outsource development of MYOB's Mac platform products, and correspondingly a material decrease in product development costs.
- Improved productivity and streamlining of product investment in other areas.

Further information about these initiatives, and the assumptions and qualifications underlying the expected increase in earnings/Adjusted EBITDA are set out in section 4 of this Target's Statement.[6]

Additional growth initiatives

MYOB has been developing a number of growth initiatives which are still in investment phase but which are expected to provide significant upside and longer term returns to MYOB shareholders. These include:

- MYOB Accountants Resourcing: a service that enables accountants in Australia and New Zealand to outsource the completion of compliance work to professionally qualified MYOB employees based in Kuala Lumpur, Malaysia. MYOB considers this an offering with considerable growth potential due to the increasing volume of compliance work for medium and larger Australian and New Zealand accounting firms. From a small beginning, revenue has been growing at a compound annual growth rate of over 100% from FY2006 to FY2008[7] and the business is expected to achieve profitability in 2010; and
- MYOB Web Hosting: a service that offers domain registration, email hosting and website hosting to SMEs. MYOB considers this sector to be a substantial market opportunity, with high recurring revenues and attractive margins combined with a highly scaleable business model.

[6] Expenses expected to be incurred in relation to the implementation of these initiatives are one-off cash costs of $4 million with a write-down of related intangible assets of $7.3 million.

[7] See footnote 3 on previous page.

2 Manhattan Software's Offer is inadequate and undervalues your MYOB Shares

Low premium to volume weighted average share price

The Offer of $1.0215 provides an unusually small premium ranging from 6.6% - 11.1% relative to the MYOB share price at the close of trading on the day prior to the announcement of the Offer and 1 month and 3 month volume weighted average price (VWAP) in the period before the Offer was announced.[8]

The Independent Expert has stated that average control premia paid in successful takeovers in Australia is in the range of 30-35%.[9] The premium provided by the Offer is well below this average.

Low premium to trading multiples of MYOB's international peers[10]

The Offer of $1.0215 represents a small premium of 7.9% to the average forward trading multiples of MYOB's two most comparable peers.[11] These are trading multiples and not multiples at which you would expect control to pass.

Sage and Intuit are considered the most relevant comparables to MYOB, as although they are much larger companies than MYOB, they are clear market leaders in their geographic regions with similar product offerings to MYOB.

[8] The day prior to the Manhattan Software Offer being announced was 29 October 2008. The last MYOB share price prior to the announcement of the Offer and the volume weighted average share price have been calculated after adjusting for the impact of the capital return of 12.85 cents per share paid to MYOB shareholders on 19 November 2008.

[9] Based on a statement in the Independent Expert's Report (see Attachment 2).

[10] Comparable trading multiples are based on share prices as at 25 November 2008. Peer EBITDA values have been adjusted to reflect a 31 December 2008 year end and to reflect expensing of 100% of product development costs. Forward estimates used represent broker consensus estimates as determined by a third party information provider.

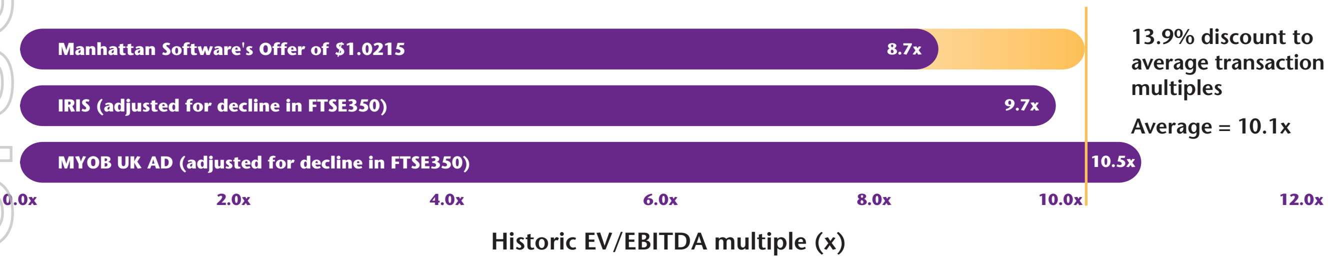
[11] The Manhattan Software Offer's implied trading multiple has been calculated based on MYOB's FY2008 Adjusted EBITDA normalised for: (i) losses associated with the investment phase of the Accountants Resourcing business as the business drives to profitability; and (ii) one-off acquisition integration costs related to the Web-hosting business. The calculation of EBITDA has been based on 10 months actual trading results to 31 October 2008 and 2 months of forecasts which have been reviewed by Ernst & Young Transaction Advisory Services as part of an Independent Accountant's Report. See section 4 for further information.

MYOB considers that there are no directly comparable domestic companies which have a clear market leading position and similar product offering to MYOB. MYOB considers that while Technology One and Reckon are two domestic companies which share certain characteristics in common with MYOB in terms of product focus, there are also significant differences which render comparison to MYOB difficult. In the case of Reckon, relative to MYOB, it has a weaker brand in its market, smaller market share and does not own key intellectual property and accordingly has less control over important strategic decisions. In the case of Technology One, it operates in a more competitive sector of the market to MYOB, and has greater customer concentration (and hence risk) with more services revenues and less recurring revenues than MYOB. Accordingly, in difficult market conditions both Technology One and Reckon could be expected to trade, and have been trading, at discounts to MYOB on a comparable multiples basis.

Discount to recent comparable transaction multiples

The Offer price of $1.0215 represents a substantial discount to comparable transaction multiples – even when transaction multiples have been adjusted to take into account the weaker equity market conditions relative to those applicable at the time of the relevant transactions.[12]

MYOB considers that the two most relevant recent transaction comparables are the sale of MYOB's UK Accountants Division (MYOB UK AD) in March 2008 and the sale of IRIS in June 2007.[13] These businesses were sold at prices which implied historic Enterprise Value/EBITDA transaction multiples of 14.8x and 15.7x respectively. Conservatively[14] adjusting these transaction multiples to reflect the decline in equity markets since those transactions (using the decline in the FTSE 350 index as a proxy) the adjusted transaction multiple of 10.5x Enterprise Value/EBITDA for MYOB UK AD and 9.7x Enterprise Value/EBITDA for IRIS still represents substantial premiums to the Manhattan Software Offer for MYOB, which would imply an acquisition multiple for MYOB of only 8.7x (historic Enterprise Value/EBITDA).[15]



[12] For comparative transaction multiple purposes, EBITDA is calculated for MYOB as set out in footnote 11.
[13] Refers to the announcement dates of those transactions.
[14] These adjustments are considered conservative as the decline in the FTSE 350 should be applied to the equity component of the multiples and not to the enterprise value. However, the quantum of the equity components is unavailable.
[15] Transaction multiples have been adjusted for declines in the FTSE350 from the announcement of the transactions until 25 November 2008. This represents a decline of 38.6% for IRIS (from announcement date of 11 June 2007) and 29.1% for the sale of MYOB UK AD (from announcement date of 31 March 2008).

3 The Offer is neither a fair nor reasonable offer as determined by the Independent Expert

The Independent Expert has concluded that Manhattan Software's Offer is NEITHER FAIR NOR REASONABLE.

The Independent Expert's Report contains a number of important comments, including:

- "As the consideration offered by Manhattan Software is less than our assessed value of 100% of the ordinary shares in MYOB, in our opinion, the Offer is not fair."
- "In our opinion the Offer is also not reasonable because the Offer consideration represents a premium which, in our opinion, does not provide MYOB shareholders with a sufficient premium for control."
- "Empirical evidence indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares three months prior to the announcement of the bid."
- "… the premium is less than the average premium paid in successful takeovers generally. Consequently, in our opinion, the Offer does not provide MYOB shareholders with a sufficient premium for control."
- "… the [lower] offer consideration is $1.0215 per share, which is:

  (a) 16.6% below the mid-point of $1.225 per share of our assessed value of MYOB

  (b) 11.9% below the low range of $1.16 per share of our assessed value of MYOB."

4 Manhattan Software is seeking to take advantage of the global financial crisis by acquiring MYOB cheaply and without an adequate premium

- Manhattan Software's Offer is opportunistically timed to take advantage of the current decline in the equity markets. By illustration, at the time the Manhattan Software Offer was announced, the ASX 300 had declined an unprecedented 43.8% on the 12-months prior to the announcement date.
- Despite the challenges faced by the financial market, MYOB is well positioned to weather the current uncertain economic environment and its business prospects remain robust. While revenues of some companies have fallen or may be expected to fall in 2009, MYOB expects revenue growth in FY2009. The Offer price does not fully reflect this growth.
- MYOB is well positioned due to its strong business model, which is underpinned by a high degree of recurring revenues. Recurring revenues are derived from annual essential services and upgrades provided to core operating systems of existing clients and are expected to prove resilient to a business downturn.
- The opportunistic timing of Manhattan Software's Offer is compounded by the small and inadequate control premium they are offering to MYOB shareholders (see point 2 of this section 1).

5 Manhattan Software's Offer is highly conditional

Manhattan Software's Offer incorporates many unusual conditions.

Key conditions include:

- MYOB Board recommendation. As the board has unanimously recommended shareholders reject the Offer, even if you accept the Offer, it will not proceed unless this condition is waived or later satisfied.
- A minimum acceptance condition of 50.1% of MYOB shares which Manhattan Software has said it will not waive. As at 28 November 2008, Manhattan Software had not announced the receipt of any acceptances.
- A condition that this Target's Statement contains an Earnings Confirmation, a Cash Confirmation and a Liabilities Confirmation, in each case expressed to be made with the approval of the Board (see further section 4.10 for a detailed description of these conditions). The Offer will not proceed unless these conditions are satisfied or waived.

There are significant further conditions attached to the higher offer price of $1.1215 per MYOB Share being made available to MYOB shareholders, namely that the pre-conditions to drawdown of finance under Manhattan Software's finance facility are satisfied or waived and Manhattan Software becomes entitled to proceed to compulsory acquisition prior to 31 January 2009. In this respect, there can be no assurance that the $1.1215 will be payable at all. Shareholders should NOT accept on the basis that they will be assured of receiving $1.1215 per MYOB Share.

6 Your Board has commenced discussions with parties interested in presenting alternative proposals regarding a possible change in control of MYOB

Your Board is seeking to test whether an alternative offer that recognises the full value of MYOB can be put to shareholders. A number of parties are currently in discussions with the Board, which may result in an alternative offer being made for MYOB either during the course of Manhattan Software's Offer or at some time in the future.

Accepting Manhattan Software's Offer means you may not be in a position to participate in any possible alternative proposals. While your Board is seeking to progress these discussions, there is no assurance that an alternative proposal will be made.

The Board will continue to consider alternative proposals in order to maximise value for MYOB shareholders.

Frequently asked questions

This section answers some frequently asked questions about the Offer. It is not intended to address all relevant issues for MYOB shareholders. This section should be read together with all other parts of this Target's Statement as well as the Bidder's Statement.

Question	Answer
What is Manhattan Software's Offer for my MYOB Shares?	Manhattan Software's conditional offer is $1.0215 for each MYOB Share held by you. Manhattan Software has stated that it will increase its conditional offer to $1.1215 for each MYOB Share if: • Manhattan Software obtains a relevant interest in more than 90% of MYOB Shares and is entitled to proceed to compulsory acquisition; and • Manhattan Software's debt financing conditions are satisfied or waived. If Manhattan Software does improve the consideration offered under its Offer, all MYOB shareholders who have accepted the Offer will be entitled to the benefit of that improved consideration (whether they accepted before or after the Offer was varied). However, there can be no assurance there will be any improvement in the Offer.
What choices do I have as a MYOB shareholder?	As a MYOB shareholder, you have the following choices in respect of your MYOB Shares: • do nothing; • sell your shares on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or • accept the Offer. See section 6 of this Target's Statement for a summary of the taxation consequences of accepting the Offer or selling your MYOB Shares on market. If you accept the Offer (or sell on the ASX) you will not be able to accept any other offer from another party which may emerge (unless the Manhattan Software Offer lapses without the conditions being satisfied). If Manhattan Software and its associates have a relevant interest in at least 90% of MYOB Shares during the Offer Period, Manhattan Software will be entitled to compulsorily acquire the MYOB Shares that it does not already own. See section 5.3 for more information.

What are the directors of MYOB recommending?

Each director recommends that you reject the Offer.

The reasons why your directors recommend you should REJECT Manhattan Software's Offer have been set out in detail earlier in this document.

In considering whether to accept the Offer, your directors encourage you to:

- read the whole of this Target's Statement (including the Independent Expert's Report) and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider your choices noted in this section of Target's Statement; and
- obtain financial advice from your broker or financial adviser upon the Offer and obtain taxation advice on the effect of accepting the Offer.

What are the directors doing in respect of their own MYOB Shares?

Each director of MYOB who has a relevant interest in MYOB Shares, presently intends to REJECT the Offer in relation to those shares.

The directors of MYOB have a relevant interest in approximately 29% of MYOB Shares in aggregate.

What has the Independent Expert concluded?

The Independent Expert has concluded that the Offer is neither fair nor reasonable.

A copy of the report by Lonergan Edwards (an independent expert not associated with either MYOB nor Manhattan Software) stating this opinion and giving reasons for forming that opinion is included as Attachment 2 to this Target's Statement.

MYOB's directors recommend that you read the report in full.

How do I accept the Offer?

Details of how to accept the Offer are set out in section 8.4 of the Bidder's Statement.

What are the consequences of accepting the Offer now?

If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your MYOB Shares on the ASX or otherwise deal with your MYOB Shares (including accepting any other offer from another party which may emerge) while the Offer remains open.

The effect of acceptance of the Offer is set out in sections 8.5(b) and 8.6 of the Bidder's Statement. MYOB shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise rights attaching to their MYOB Shares and the representations and warranties which they give by accepting the Offer.

Frequently asked questions

If I accept the Offer, can I withdraw my acceptance?

You only have limited rights to withdraw your acceptance of the Offer.

You may withdraw your acceptance at any time until the FIRB Condition of the Offer has been fulfilled. As at 28 November 2008, the FIRB Condition had not been satisfied.

Once the FIRB Condition is satisfied, you may only withdraw your acceptance if Manhattan Software varies the Offer in a way that postpones the time when Manhattan Software is required to satisfy its obligations by more than one month. This will occur if Manhattan Software extends the Offer Period by more than one month and the Offer is still subject to conditions.

When does the Offer close?

The Offer is presently scheduled to close at 7.00pm Sydney time on 18 December 2008.

Can the Offer Period be extended?

Manhattan Software may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 8.8(e) of the Bidder's Statement) while the Offer is subject to conditions. However, if the Offer is unconditional (that is, all the conditions are satisfied or waived), Manhattan Software may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- Manhattan Software improves the consideration offered under the Offer; or
- Manhattan Software's voting power in MYOB increases to more than 50%.

If either of these 2 events occur, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

Is the Manhattan Software Offer conditional?

Yes. The Offer is subject to a number of conditions which are set out in section 8.7 of the Bidder's Statement. As at 28 November 2008, the outstanding conditions to the Offer are (in summary):

- minimum acceptance of at least 50.1% of MYOB Shares;
- Foreign Investment Review Board approval;
- no material adverse change;
- disclosure of certain earnings confirmations in respect of the financial year ending 31 December 2008;
- disclosure of certain cash confirmations in respect of the financial year ended 31 December 2008;
- disclosure of certain liabilities confirmations;
- MYOB Board recommendation;
- no dividends being declared or paid; and
- no prescribed occurrences.

Unless all of these conditions are satisfied or waived before the Offer closes, the Offer will lapse and you will not be paid any consideration from Manhattan Software even if you have accepted the Offer.

There are further conditions attached to the consideration offered being increased to $1.1215. See the first question of this section 2 for further information.

What happens if the conditions of the Offer are not satisfied or waived?

If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse. You would then be free to deal with your MYOB Shares even if you had accepted the Offer.

Can Manhattan Software withdraw the Offer?

Manhattan Software may not withdraw the Offer if you have already accepted it.

Before you accept the Offer, Manhattan Software may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

Frequently asked questions

How long will I have to wait for my consideration if I accept the Offer?

If you accept the Offer, you will only receive your consideration if the Offer becomes unconditional. You will be paid your consideration on or before the later of:

- one month after the date the Offer becomes or is declared unconditional; and
- one month after the date you accept the Offer if the Offer is, at the time of acceptance, unconditional,

but, in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.

However, there are certain exceptions. Full details of when you will be paid your consideration are set out in section 8.9 of the Bidder's Statement.

What are the tax implications of accepting the Offer?

A general outline of the Australian taxation implications of:

- accepting the Offer;
- having your MYOB Shares compulsorily acquired; and
- the Return of Capital and Special Dividend,

is set out in section 6 of this Target's Statement.

As the outline is a general outline only, shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.

What was the reason for, and outcome of, the Takeovers Panel proceedings?

MYOB decided to make the Takeovers Panel application because the commitments of certain MYOB shareholders disclosed in the Bidder's Statement created a perception in the market that such shareholder's shares were locked up, or committed to, Manhattan Software.

The Board considers it is in the best interests of all shareholders that no potential counterbidder be dissuaded from bidding for MYOB Shares as a result of a perceived blocking stake.

The Takeovers Panel found in favour of MYOB in making a declaration of unacceptable circumstances.

The Takeovers Panel has made orders, including that:

- certain MYOB shareholders (who, together, hold 34% of MYOB Shares) are released from their commitments to accept the Offer; and
- such shareholders cannot accept the Offer before 9 December 2008.

Further detail about the Takeovers Panel proceeding is set out in section 5.5 of this Target's Statement.

Will anyone else bid for MYOB?

Your Board is seeking to test whether an alternative offer that recognises the full value of MYOB can be put to shareholders.

A number of parties are currently in discussions with the Board, which may result in an alternative offer being made for MYOB either during the course of Manhattan Software's Offer or at some time in the future.

MYOB cannot, however, give any guarantee or assurance that anyone else will make an offer or other proposal for MYOB.

Acceptance of Manhattan Software's Offer may prevent you from participating in the benefit of any alternative offers.

Is there a number that I can call if I have further queries in relation to the Offer?

If you have any further queries in relation to the Offer, you can call the MYOB shareholder information line on 1300 542 251 (for calls made from inside Australia) or +613 9415 4672 (for calls made from outside Australia). These calls may be recorded.

SECTION 3

Information about MYOB

3.1 Background information on MYOB

MYOB is the leading provider of both business management solutions for SMEs and accountants in public practice in Australia and New Zealand. MYOB provides its software, services and support to more than 700,000 businesses and accounting practices in Australia, New Zealand and Asia. MYOB operates in Australia (83% of revenue), New Zealand (14%) and Asia (3%).

MYOB has a strong business model underpinned by a high degree of recurring revenue, that is, revenues from services and upgrades provided for core operating systems to existing clients. This provides a predictable earnings stream, which is expected to prove resilient to economic conditions.

MYOB was founded in 1991 and listed on the ASX in 1999.

MYOB has two key business areas: SME solutions provided through its Business Division and practice management software provided through its Accountants Division.

(a) Business Division

MYOB is the leading provider of accounting, payroll and business management software for small-medium businesses in Australia and New Zealand. MYOB's Business Division has generally maintained a consistent market share (by both value and volume) in the small business segment of around 70% in Australia and around 80% in New Zealand.

Products include:

- small business accounting and business management solutions;
- medium business management solutions including finance, job costing, point of sale, fixed assets, customer management, reporting and inventory control;
- payroll software and other solutions to aid employers; and
- retail management and point of sale solutions.

MYOB's Business Division exhibits a high proportion (approximately 75%) of annual recurring revenues derived from existing clients. In addition, due to its leading market position and brand, the business generates a stable share of revenues from new unit/licence sales. Strong revenue growth has been achieved notwithstanding an historically conservative approach to price increases.

Factors contributing to this growth have included:

- small business segment – the successful migration of clients to annual support plans, a shift in the product mix to higher value products, changes in the distribution channel mix and the acquisition of new clients; and
- medium business segment – the expansion into this segment in late 2006/early 2007 and the subsequent growth in that segment.

A strong focus on improvements in existing marketing, support and sales channels are expected to generate a continued increase in business unit operating margins.

(b) Accountants Division

MYOB is the leading provider of practice management, tax and accounts preparation software for accountants in public practice in Australia and New Zealand. MYOB works directly with accounting practices to streamline their processes and maximise their productivity. MYOB solutions are used by all sizes of accounting practices from tax agents and sole practitioners to the big four accounting firms.

Key products include solutions for:

- client accounting;
- tax preparation;
- practice management; and
- knowledge management.

A high proportion (over 90%) of annual revenues of the Accountants Division are of a recurring nature from existing clients, the bulk of which comprise maintenance fees. In addition, the client base has a low churn rate.

The Accountants Division has achieved strong revenue growth notwithstanding modest price increases. Opportunities to cross sell existing products and, more recently, the introduction of new products and services have generated quantity based increases in maintenance revenues.

Continued earnings growth in the business unit is anticipated from:

- opportunities to continue to expand the product/service offering; and
- continued margin expansion through improvements in implementation process, upgrade paths, support and client usability.

(c) **New Businesses**

MYOB has been developing a number of new businesses which are still in investment phase but which are expected to provide significant upside and longer term returns to MYOB shareholders. These new businesses include MYOB Accountants Resourcing and MYOB Web Hosting.

MYOB Accountants Resourcing

MYOB Accountants Resourcing is a service that enables accountants in public practice in Australia and New Zealand to outsource the completion of compliance work to professionally qualified MYOB employees based in Kuala Lumpur, Malaysia. Compliance work includes tax return preparation, entity accounts, self-managed super fund accounts, and corporate secretarial work.

MYOB considers this a sector with considerable growth potential due to the increasing volume of compliance work for medium and larger Australian and New Zealand accounting firms, combined with an increasing shortage of qualified labour.

From a small beginning, revenue has been growing at a compound annual growth rate of over 100% from FY2006 to FY2008[16] and the business is expected to achieve profitability in 2010.

MYOB Web Hosting

MYOB Web Hosting is a service that offers domain registration, email hosting and website hosting to small and medium businesses.

Large businesses are currently in the process of allowing customer self-service in respect of most business processes via their website. It is expected that SMEs will follow this trend as customer expectations grow and market solutions arise. Most of these business processes (e.g. receiving/paying invoices, updating contact details, placing an order etc) are processes that are managed within SMEs via MYOB's business management applications. MYOB intends to provide SMEs with web hosting services and then extend these services to include integration to the MYOB provided business management products.

MYOB considers this sector to be a substantial market opportunity, with high recurring revenues and attractive margins combined with a highly scaleable business model.

[16] FY2008 results are based on 10 months actual trading results to 31 October 2008 and 2 months of forecasts which have been reviewed by Ernst & Young Transaction Advisory Services as part of an Independent Accountant's Report – see section 4.

Information about MYOB

3.2 MYOB's business strategy

Key components of MYOB's business strategy are:

- continue to develop and upgrade software solutions for SMEs and accounting practices to ensure software is kept up to date with the changing compliance environment, deliver productivity enhancements and therefore maintain and grow long term client relationships;
- continue to grow its recurring revenue base by introducing new offerings which provide ongoing value and which can be billed on a recurring basis – for example, web hosting and accountants resourcing services and deliver software as a service (SaaS) such as MYOB BusinessBasics Online;
- broaden appeal of MYOB to a greater range of businesses throughout their business growth cycle – from services to help start-up businesses through to innovative services that alleviate growing pains;
- continue to focus on managing costs and maintaining strong EBITDA margins;
- continue to look actively at complementary acquisitions to broaden MYOB's market and increase market share and product offerings; and
- increasing product distribution in selected markets in Asia through increasing brand awareness and recruiting sales and support partners.

3.3 Recent developments and initiatives

MYOB has recently announced the following developments and initiatives:

- exit of the mainland China business as Asian operations are re-organised to focus on MYOB's market leading operations in Hong Kong and Singapore and improving position in Malaysia. This will result in the removal of on-ground costs in China, including product development spend;
- ongoing optimisation of MYOB's cost base, specifically, making it more flexible and able to be adjusted in accordance with revenue; and
- new agreements with MYOB's US distributor Acclivity to outsource and correspondingly decrease product development costs.

More information about these developments and initiatives can be found in MYOB's announcement to the ASX on 26 November 2008.

3.4 MYOB Board

Simon McKeon *BCom, LLB, FAICD*
Independent Non-Executive Chairman

Simon joined the MYOB Board at the end of 2005 and has been Chairman since April 2006. He is Executive Chairman of Macquarie Group Limited's Melbourne office. Simon practised as a solicitor with Blake Dawson Waldron in Sydney prior to joining Macquarie Bank, and is a Fellow of the Australian Institute of Company Directors. Simon is President of the Federal Government's Australian Takeovers Panel and also Chairman of MS Research Australia, Australia Cares and the Federal Government's Point Nepean Community Trust.

Simon is the Chairman of the Remuneration, Nomination and Sustainability Committees and a member of the Audit Committee.

Tim Reed *Bcom, MBA*
Managing Director & Chief Executive Officer

Tim was appointed CEO of MYOB in June 2008. Prior to becoming CEO, Tim spent 5 years with MYOB in a variety of management roles including Managing Director of MYOB Australia and Group Product Executive. In these roles Tim oversaw the growth of the Australian business and expansion into mid-market and web services fields. Before his career with MYOB, Tim held senior US-based management roles in sales, marketing, product management and finance within fast paced global markets working for Elance Inc, Dovebid and Engage I/PRO.

Tim received his MBA from Harvard University where he graduated as a Baker's Scholar. He also holds a BCom degree from the University of Melbourne where he graduated with First Class Honours.

Tim is a member of the Remuneration, Nomination and Sustainability Committees.

Craig Winkler *MBA*
Executive Director, Chief Innovation Executive

Craig has been involved in software programming and business consultancy since 1984 and in 1991 co-founded the business now operated by MYOB. Since that time Craig has been responsible for the technical development of products and expansion of markets. His experience includes product strategy and development, domestic and international business acquisitions and integration of these businesses.

Craig is a member of the Remuneration, Nomination and Sustainability Committees.

Simon Martin *Bcom, MBA, ACA*
Executive Director, Chief Financial Officer

Simon became involved with MYOB as an adviser during the company's initial public offering in 1999. Following the successful listing of MYOB, Simon joined MYOB and worked on business development and investment analysis for a number of years. Simon rejoined MYOB in 2004 to manage the integration of the Solution 6 business and was appointed Chief Financial Officer in July 2005. Simon undertook his training as a chartered accountant with Pricewaterhouse and has extensive experience in corporate finance and investment banking gained in roles at Ord Minnett Corporate Finance, ASX and AXA Asia Pacific Holdings.

Simon is a member of the Remuneration, Nomination and Sustainability Committees.

Colin Henson *FCPA, Dip Law (BAB), FCIS, FCIM, FAICD*
Independent Non-Executive Director

Colin joined the MYOB Board in August 2004 following the merger with Solution 6, having been a member of the Solution 6 board. Colin has worked in a range of industries from brewing to electronics over 35 years. Colin is currently Chairman of ERG Limited, Chairman of Hedley Leisure and Gaming Property and Partners Limited and Chairman of BHA Holdings Pty Ltd.

Colin is a member of the Audit, Nomination, Sustainability and Remuneration Committees.

John Stewart *BBus, FCA, FAICD*
Independent Non-Executive Director

John was appointed to the Board of MYOB in April 1999. He is a Chartered Accountant and a former Chairman of the New South Wales Branch of the Institute of Chartered Accountants in Australia. He is the Chief Executive Officer of an engineering consultancy firm as well as a Director of the Australian Committee for UNICEF Limited.

John is Chairman of the Audit Committee and a member of the Remuneration, Sustainability and Nomination Committees.

Christopher Williams *FAIeX, F.Fin MAICD*
Independent Non-Executive Director

Christopher joined the MYOB Board in June 2004, bringing expertise in strategic marketing, the SME market and customer value management process design. He retired as senior executive of the National Australia Bank Group in 2002 after more than a decade of senior strategic positions at a regional and global level. He then became Director and subsequently Chairman of Traffion Technologies. Christopher is a Fellow of the Financial Services Institute of Australia, Fellow of the Australian Institute of Export and a Member of the Australian Institute of Company Directors.

Christopher is a member of the Audit, Remuneration, Sustainability and Nomination Committees.

3.5 Issued capital

As at 30 November 2008, MYOB's issued capital consisted of:

- 389,944,755 fully paid ordinary shares; and
- 25,198,536 unquoted Options.

The Options have exercise prices between $0.00 and $3.3112 (post capital returns made by MYOB in May and November 2008) and expiry dates of between March 2009 and September 2013.

Of the 25,198,536 Options, 6,415,000 have exercise prices which are greater than the Offer price.

In respect of Options with a zero exercise price which were issued and on the register of Options prior to 2 May 2008, MYOB is required, upon exercise of the relevant Options, to make a cash payment of 30.88 cents to the relevant holder in respect of each Option that is exercised. In respect of Options with a zero exercise price which were issued and on the register of Options prior to or on 12 November 2008 but after 2 May 2008, MYOB is required, upon exercise of the relevant Options, to make a cash payment of 12.85 cents to the relevant holder in respect of each Option that is exercised. These cash payments are adjustments related to capital returns made in May and November 2008.

3.6 Substantial holders

As at the date of this Target's Statement, the following persons were substantial shareholders in MYOB.

Substantial holder	Relevant Interest
Andrew Craig Winkler	28.20%
Guinness Peat Group	13.47%
Commonwealth Bank (Institutional Group)	9.78%
Schroder Investment Management Group	9.24%

SECTION 4

Financial information and directors' pro-forma forecasts

4.1 Introduction

This section contains certain relevant information for MYOB shareholders to consider in response to Manhattan Software's Offer, including:

- pro-forma historical income statement on a continuing business basis, for the financial years ended 31 December 2006 and 2007;
- pro-forma forecast income statement on a continuing business basis for the financial year ending 31 December 2008;
- normalised historical and forecast income statement for years ended 31 December 2006, 2007 and 2008;
- MYOB's actual financial position as at 30 June 2008 and the pro-forma financial position at 31 October 2008; and
- MYOB's response to the Earnings Confirmation, Cash Confirmation and Liabilities Confirmation conditions to Manhattan Software's Offer.

The pro-forma forecast financial information on a continuing basis for the year ending 31 December 2008 in this section has been reviewed by Ernst & Young Transaction Advisory Services, whose Independent Accountant's Report is included as Attachment 1 to this Target's Statement.

The financial information in this section is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the International Financial Reporting Standards and the Corporations Act. Shareholders should refer to the MYOB audited financial statements for the financial year ended 31 December 2007 and the financial statements for the half year ended 30 June 2008 for more detailed disclosures including details of accounting policies. These statements are available at MYOB's website at www.myob.com and from the ASX at www.asx.com.au.

4.2 Basis of preparation of financial information

(a) Pro-forma historical information

The accounting policies adopted by MYOB in the preparation of the financial information for the years ended 31 December 2006 and 2007 are consistent with those set out in MYOB's audited financial statements for the financial year ended 31 December 2007 and the half year financial statements for the half year ended 30 June 2008, with the exception of pro-forma adjustments referred to in section 4.3.

(b) Directors' FY2008 forecast

The directors' FY2008 pro-forma forecast financial information for the financial year ending 31 December 2008 has been prepared on the basis of:

- actual results for the 6 months to 30 June 2008 which are unaudited but have been subject to an audit review;
- actual, unaudited results for the 4 months from 1 July 2008 to 31 October 2008; and
- an assessment of forecast information for the 2 months to 31 December 2008.

This information has been reviewed by Ernst & Young Transaction Advisory Services in its Independent Accountant's Report disclosed in Attachment 1 to this Target's Statement.

The forecast information for the 2 months to 31 December 2008 has been based upon your directors' assessment of the current economic and operating conditions, the implementation of management's current operating plan and certain best estimate assumptions which are contained in section 4.6.

Financial information and directors' pro-forma forecasts

The directors' FY2008 forecasts do not include expenses incurred in responding to Manhattan Software's Offer as these are considered to be of a non-recurring nature and cannot be quantified at this stage. The pro-forma financial income statement on a continuing basis for FY2006 and FY2007 and the pro-forma forecast income statement on a continuing basis for FY2008 do not include the impact of specific items in relation to discontinued businesses including related restructuring costs, or other items of a one off nature as previously disclosed in financial statements for the years ended 31 December 2006 and 2007 and the 6 months ended 30 June 2008.

The FY2008 pro-forma forecast financial information should be read in conjunction with the management discussion and analysis contained in section 4.5, the outline of key assumptions upon which the forecast is based contained in section 4.6, the key risks in relation to MYOB contained in section 4.9 and the risks surrounding forward looking statements generally (set out on the inside cover to this Target's Statement).

4.3 Financial performance

Included in the table below is a summary of MYOB's FY2006 and FY2007 pro-forma financial performance on a continuing business basis, and the directors' pro-forma forecast for FY2008, on a similar basis. Continuing business excludes the UK/European businesses which were sold in early 2008 and MYOB's China operations, from which MYOB exited on 26 November 2008. The table also includes pro-forma adjustments reflecting the change of relationship with US republisher, Acclivity, announced on 26 November 2008.

Continuing Businesses[1] ($000's)	**2006A**	**2007A**	**2008F**
Revenue	149,911	169,162	181,155
Expenses	**(93,476)**	**(99,115)**	(107,644)
EBITDA	56,435	70,047	73,511
Amortisation of acquired Intellectual Property		(7,438)	(6,008)
Amortisation of Product Development[2]		(19,725)	(21,905)
Amortisation of Customer Management Platform		(669)	(2,866)
Depreciation		(7,849)	(7,590)
EBIT (pre specific items)		34,366	35,141

1. *Excludes the UK/European operations divested in 2008, and reflects the changes to the China operations and the Acclivity relationship announced to the ASX on 26 November 2008. The calculation of EBITDA differs from the Independent Expert's Report in the Summary of Financial Performance in that the Independent Expert has only excluded the UK/European operations divested in 2008 in arriving at operating EBITDA.*
2. *Pro-forma amortisation recalculated for continuing operations*

The table below adjusts operating EBITDA for product development spend, which is customary accounting practice for MYOB's peers, and also adjusts for certain initiatives and related costs to calculate a maintainable normalised EBITDA. Normalisations for the webhosting integration costs refer to expenses incurred or expected to be incurred in relation to the integration of MYOB's acquisitions of Ilysis and SmartyHost, which do not form part of maintainable earnings. Normalisations in relation to Accountants Resourcing reflect the losses associated with the investment phase of the business as it moves to profitability in 2010.

The normalised EBITDA is considered the relevant proxy for maintainable earnings.

Continuing Businesses[1] ($000's)	**2006A**	**2007A**	**2008F**
EBITDA	56,435	70,047	73,511
Product Development spend[2]	(22,187)	(20,853)	(23,300)
Adjusted EBITDA	34,248	49,195	50,211
Normalisations			
- Accountants Resourcing	247	1,457	1,791
- Webhosting Integration Costs	-	-	1,218
Normalised EBITDA	34,495	50,652	53,219

1. *Excludes the UK/European operations divested in 2008, and reflects the changes to the China operations and the Acclivity relationship announced to the ASX on 26 November 2008*
2. *Development spend has been normalised for comparative purposes by reducing 2007 and 2006 by the amount reduced in 2008 in accordance with the initiatives announced in relation to China and Acclivity on 26 November 2008*

The table below highlights key metrics in relation to forecast financial performance.

Continuing Businesses	**2006A**	**2007A**	**2008F**
EBITDA margin	37.6%	41.4%	40.6%
Adjusted EBITDA margin	22.8%	29.1%	27.7%

The table below reconciles the financial performance on a continuing basis to that previously disclosed in market guidance, which did not adjust for the China business or the changed relationship with Acclivity. The previous guidance for 2008 issued to the market included estimated revenue and expenses for a full 12 months for China and Acclivity. The results for 2006, 2007 and 2008 have all been restated to reflect royalties that would have been paid to Acclivity in prior periods under the new arrangements.

Reconciliation to Previous Disclosures and Guidance

($000's)	**2006A**	**2007A**	**2008F**
Revenue of Continuing Businesses[1]	149,911	169,162	181,155
Revenue (China)	312	436	375
Revenue (Acclivity)	379	498	661
Revenue of Continuing Businesses[2]	150,602	170,096	182,191

($000's)	**2006A**	**2007A**	**2008F**
EBITDA of Continuing Businesses[1]	56,435	70,047	73,511
EBITDA (China)	(3,708)	(3,698)	(2,971)
EBITDA (Acclivity)	742	896	1,048
EBITDA of Continuing Businesses[2]	53,469	67,245	71,588

1. *Excludes the UK/European operations divested in 2008, and reflects the changes to the China operations and the Acclivity relationship announced to the ASX on 26 November 2008*
2. *Comparable to previous market guidance by MYOB.*

4.4 Financial position

MYOB's actual and pro-forma financial position as at 30 June 2008 and 31 October 2008 are stated in the table below. The pro-forma financial position as at 31 October 2008 is adjusted for the impact of the capital return paid to MYOB shareholders on 19 November 2008 and the cash costs and write downs of the China and Acclivity initiatives announced by MYOB on 26 November 2008.

($'000's)	June 2008	Pro-forma October 2008
Assets		
Cash/Deposits	20,713	22,008
Receivables	20,298	14,666
Inventories	890	1,147
Other Assets	17,246	11,400
Tax Assets	27,739	27,976
PP&E	14,334	14,967
Investments	2,672	3,353
Intangibles	80,931	74,574
Goodwill	113,768	121,378
Total Assets	**298,591**	**291,469**
Liabilities		
Accounts Payable	31,124	17,199
Unearned Revenue	36,227	38,742
Interest Bearing Liabilities	318	55,154
Provisions	19,086	18,761
Tax Liabilities	20,282	20,329
Income Tax Payable	27,265	27,570
Total Liabilities	**134,302**	**177,755**
Net Assets	**164,289**	**113,714**
Equity		
Issued Capital	159,708	110,718
Reserves	7,386	9,709
Retained Earnings	(2,699)	(6,549)
Outside Equity	(106)	(164)
Total Equity	**164,289**	**113,714**

Note: The pro-forma balance sheet is based on management accounts of MYOB as at 31 October 2008 incorporating the following adjustments or assumptions:

(a) the capital return paid to shareholders on 19 November 2008; and

(b) cash costs and the write down of assets and intangibles associated with the structural changes announced on 26 November 2008. Note that the cash costs and writedowns are not expected to be deductible for tax purposes and hence have not been tax effected.

4.5 Management discussion and analysis

As noted previously, the directors' FY2008 pro-forma forecast financial information for FY2008 has been prepared on the basis of:

- actual results for the 6 months to 30 June 2008 which are unaudited but have been subject to an audit review;
- actual, unaudited results for the 4 months from 1 July 2008 to 31 October 2008; and
- an assessment of forecast information for 2 months to 31 December 2008.

(a) **Overview**

MYOB's continuing business revenue and EBITDA for FY2008 are forecast to be $181.2m and $73.5m respectively. This represents revenue growth of 7% and EBITDA growth of 5% over FY2007.

(b) **Accountant's Division (Australia and New Zealand)**

- Forecast revenue growth of approximately 4.7% from $60.1 million to $63.0 million in FY2008.
- The forecast revenue growth reflects increased maintenance revenues and an increase in licenses and associated services from growth through cross-selling and up-selling to existing clients.
- The forecast margin improvements have been driven by integration of the Australian and New Zealand business, improvements in implementation processes, cross-skilling of support teams and increased utilisation of MYOB's services team.

(c) **Business Division (Australia and New Zealand)**

- Forecast revenue growth of approximately 8.4% from $102.0m to $110.5m in FY2008.
- The forecast revenue growth reflects price increases in maintenance revenue plans sold to existing clients, as well as non-price growth drivers such as the successful migration of customers to cover plans and shifting in product mix towards higher value products.
- The forecast margin improvements have been driven by enhanced campaigning and support processes following the introduction of the new customer management platform and further leverage of the fixed cost base.

(d) **Asian Businesses and Accountants Resourcing**

- Revenue is forecast to decline in the Asian businesses by approximately 3.2% from $6.1m to $5.9m in FY2008 due to the low acceptance of new product in Accountants Division and the distraction of the Hong Kong team in managing the now closed mainland China business.
- Revenue is forecast to grow strongly in Accountants Resourcing by approximately 125% from $0.8m to $1.7m in FY2008 following excellent growth in customer sign ups and jobs delivered by clients. The forecast is underpinned by high visibility of work in progress and jobs uploaded.

4.6 Key best estimate assumptions underlying the directors' pro-forma forecast

(a) **Specific Assumptions underlying FY2008 directors' pro-forma forecast**

(1) **Accountants Division (Australia and New Zealand)**

Revenue

- forecast underpinned by record order bookings in September and October 2008 in Australia and continued cross/upsell, translating to high visibility of licence and service revenues.
- 90 day cancellation policy in relation to maintenance contracts which comprise almost 80% of revenue and hence confidence in forecast for the remaining period.

Financial information and directors' pro-forma forecasts

(2) **Business Division (Australia and new Zealand)**

- MYOB's channel presence and market position for new units is maintained. Assumes some softening in new unit "sell in" to channel following a decline in sell through in the first half of November 2008.
- Continued growth in maintenance plan sales and training services. Over 95% of maintenance revenue for the forecast period comes from sales already made.
- Continued growth in sales of webhosting services in line with prior months.

(3) **Asian Businesses and Accountants Resourcing**

- For Asian businesses, a slower rate of growth in new unit channel sell through than experienced in third quarter as economies slow.
- For Accountants Resourcing, completion of work in progress and existing jobs uploaded by clients.

(b) **Outlook for FY2009**

MYOB expects to experience continued growth in FY2009, and is projecting EBITDA growth for continuing businesses of not less than 10%. The major source of revenue growth expected in 2009 is in recurring revenue. A key driver of the expected FY2009 increase in the Accountants Division in Australia and New Zealand is the full year impact of price increases, which have already been notified to customers and are effective from 1 January 2009, coupled with continued sales of new products such as MYOB Document Manager. In the Business Division in Australia and New Zealand, the FY2009 outlook incorporates realisation of increases in maintenance plan prices in the Business Division which were implemented from 1 July 2008 and a conservative renewal rate for maintenance contracts. New unit growth is expected to continue in the mid-market business, although this growth is expected to be slower than for FY2008. In addition, the full year effect of the webhosting acquisitions in FY2008 is expected to have a positive impact.

It is expected that EBITDA growth will come from further margin improvement with a particular focus on cost reduction across the business. Confidence in this outlook is increased by actions taken in FY2008 to change some fixed costs into flexible costs which can be reduced if revenue growth is softer than expected.

(c) **General Assumptions**

The material best estimate general assumptions that have been adopted in preparing the directors' FY2008 pro-forma forecasts for the year ending 31 December 2008 and the outlook for FY2009 include:

- no significant changes in prevailing economic conditions in the markets in which MYOB operates from those currently prevailing (noting that the outlook statement for FY2009 allows for some deterioration in general economic conditions in FY2009 compared to FY2008);
- no significant acquisitions or disposals other than those which have already been disclosed;
- retention of key personnel;
- no significant changes in statutory, legal, tax or regulatory environments in the jurisdictions in which MYOB operates, which would lead to a material impact on operations;
- no significant changes in accounting standards that would have an impact on MYOB's financial performance and financial position;
- no significant changes to the competitive environment, including material beneficial or adverse effects arising from the actions of competitors;
- no significant changes in relation to contingent liabilities, including litigation matters;
- no costs in relation to responding to the Manhattan Software Offer (as these are considered to be non-recurring); and
- no change of control.

4.7 Capital management

(a) Dividend Policy

In March 2008, the directors resolved to lift the future dividend pay out ratio to a target of 80% of reported earnings (up from 50%), reflecting the long term cash flow of the business along with an increasing level of franking credits.

(b) Capital Returns & Dividend History

MYOB paid a fully franked dividend of 3.25 cents per share in respect of FY2007. MYOB has distributed approximately 36.89 cents per share by way of return of capital and special dividends to MYOB shareholders in calendar year 2008. Given its strong cashflow generation, MYOB does not foresee any change in the dividend payout determined in March 2008. It is expected that dividends will continue to be fully franked.

4.8 Debt facilities

MYOB is lowly geared, it has a term debt facility of $50 million, a working capital facility of $30 million and a $5 million guarantee facility with the Commonwealth Bank of Australia.

The term debt facility has an initial term of two years, which expires on 11 November 2010. The term debt facility was drawn to fund the capital return of $50 million paid to shareholders on 19 November 2008.

The working capital facility provides funding flexibility to MYOB in relation to potential future acquisitions. As at the date of this Target's Statement, it is undrawn. The working capital facility is subject to annual review, with the next review being in April 2009.

4.9 Key risks

(a) Economic conditions

MYOB may be affected by general economic conditions. Changes in such conditions may affect the demand for goods and services sold by MYOB. MYOB has a high degree of recurring revenue from maintenance and essential upgrades which it expects to remain resilient to economic conditions, however new unit sales, which comprise only a small proportion of MYOB's revenue, may be sensitive to economic conditions.

(b) Stock Market fluctuations

The value of MYOB shares may rise above or below the current share price due to factors beyond the control of MYOB, including changing investor sentiment in the local and international stock market, economic conditions in Australia and overseas which may impact equity markets, changes in domestic or international fiscal monetary, regulatory and other government policies.

(c) Global economic downturn

MYOB's operating and financial performance is influenced by a variety of general economic and business conditions, including the level of inflation and government fiscal, monetary and regulatory policies across the range of countries in which MYOB operates. At present, the global economy is experiencing a range of adverse effects including weak consumer confidence, slowing demand and a weak property market. In some economies around the world, including Australia, this deterioration in economic conditions either has resulted or may result in a recession. Any further deterioration in economic conditions may, as with all businesses, decrease demand for MYOB's products. However, given the nature of MYOB's products and earnings profile, MYOB expects its revenue to be relatively resilient.

(d) **Government & Regulatory risks**

MYOB may be adversely impacted by changes in laws, taxes and government and regulatory policies.

(e) **Key Personnel**

The successful operation of MYOB depends in part on the contribution and expertise of its management and employees. Therefore should certain key people become unavailable and MYOB cannot replace them, this may adversely impact its financial performance.

(f) **Interest rate and foreign exchange rates**

Movements in interest rates and foreign exchange rates (particularly the NZD) could adversely impact MYOB's financial performance. MYOB does not hedge interest or foreign exchange movements except in the case of specific transactions in relation to limiting exposure to FX movement in a defined period.

(g) **Emergence of new technologies**

MYOB operates in a competitive sector and has a range of competitors. MYOB's revenues may be affected by the emergence of new technologies from competitors in the market for business management solutions and where competitors attempt to sell products to MYOB's customers in place of MYOB.

(h) **Accounting**

Changes in accounting or financial reporting standards may impact the financial performance of MYOB adversely.

(i) **Product releases**

MYOB's revenues are largely derived from products and associated services. Should any product releases contain errors that impact client operations this may detrimentally impact MYOB.

(j) **Other risks**

The risks outlined in this section are not exhaustive of the risks faced by MYOB shareholders. The risks outlined in this section and other risks may affect the future performance of MYOB materially. Accordingly, no assurances or guarantees of future performance, profitability, distributions, return of capital or market price are given by MYOB in respect of MYOB.

4.10 Manhattan Software's financial conditions

As set out in section 8.7(d) to 8.7(f) of the Bidder's Statement, the Offer is conditional on this Target's Statement containing certain statements regarding MYOB's financials. The table below sets out these conditions, and a statement in respect of such conditions.

MYOB notes that it is not under an obligation to provide information which is of the nature of due diligence information merely because Manhattan Software has decided to make the provision of such information a condition of its Offer.

The conditions are in some cases imprecise and subject to interpretation. MYOB is seeking to discuss the terms of these conditions with Manhattan Software.

Condition	MYOB comment
*The Target's Statement containing a statement (***Earnings Confirmation***), expressed to be made with the approval of the MYOB Board, which confirms, to the best of the knowledge and belief of the MYOB Board after having made due enquiry, each of the matters set out below in respect of the MYOB financial year ending 31 December 2008 (on the basis of the application of accounting principles consistent with those applied to the MYOB earnings guidance and results for the half year to 30 June 2008 announced to ASX on 20 August 2008), and the Earnings Confirmation not being materially varied, revoked or qualified (whether in any supplementary Target's Statement or otherwise) prior to the close of the Offer:* *(i) revenue from continuing operations will be between $183 million and $185 million;* *(ii) Operating EBITDA will be greater than $73 million;* *(iii) Operating EBIT will be greater than $30 million; and* *(iv) product development spend will not exceed $29 million.*	MYOB has set out its forecast revenue for the financial year ending 31 December 2008 in section 4.3 of this Target's Statement. MYOB is seeking clarification from Manhattan Software as to whether the disclosures provided by MYOB in this Target's Statement and other announcements in relation to operating EBITDA and operating EBIT satisfy those specified in the Earnings Confirmation condition. MYOB can confirm that, to the best of its knowledge and belief, that product development spend will not exceed $29 million for FY2008.
*The Target's Statement containing a statement (***Cash Confirmation***), expressed to be made with the approval of the MYOB Board, which confirms, to the best of the knowledge and belief of the MYOB Board after having made due enquiry, each of the matters set out below, and the Cash Confirmation not being materially varied, revoked or qualified (whether in any supplementary Target's Statement or otherwise) prior to the close of the Offer:* *(i) as at 31 December 2008, the MYOB net cash will be greater than $21 million (adjusted to exclude the impact of debt incurred to fund, or cash used to pay, the proposed return of capital of 12.85 cents); and* *(ii) as at 31 December 2008, there will be no more than $18 million payable for MYOB tax, extraordinary costs and/or one-off payments, including but not limited to those related to the closure of MYOB's Business Division and Accountants Division in the United Kingdom, other expenses incurred to reduce the MYOB cost base and any deferred acquisition consideration.*	Net cash may be greater than $21 million as at 31 December 2008. However, this is subject to a number of uncertainties, including, but not limited to, achievement of forecasts of sales and cash collections, tax payments, payments to creditors and staff, payment of costs arising from the response to the Manhattan Software Offer and other general expenses. Whether or not the tax and extraordinary payments aspect of the condition is satisfied depends on a number of matters, including the calculation of tax adopted, the treatment of tax offsets, timing of tax and other payments and accruals, whether or not certain matters are considered to be "one-off" or extraordinary and other related matters. MYOB is seeking clarification from Manhattan Software in relation to the interpretation of Manhattan Software's condition.

Financial information and directors' pro-forma forecasts

Condition	MYOB comment
*The Target's Statement containing a statement (***Liabilities Confirmation***), expressed to be made with the approval of the MYOB Board, which confirms as at the date of the Liabilities Confirmation, to the best of the knowledge and belief of the MYOB Board after having made due enquiry, each of the matters set out below, and the Liabilities Confirmation not being materially varied, revoked or qualified (whether in any supplementary Target's Statement or otherwise) prior to the close of the Offer:* *(i) the MYOB Group has no liability or contingent liability (including a liability or contingent liability as a result of an obligation under any derivative contract) with a value greater than \$1 million, and no liabilities or contingent liabilities (including any liabilities as a result of an obligation under any derivative contract) which in aggregate have a value greater than \$3 million, the nature, size and existence of which has not been disclosed in announcements by MYOB to ASX prior to 12.00pm (Sydney time) on 27 October 2008; and* *(ii) no liability or contingent liability (including a liability or contingent liability as a result of an obligation under any derivative contract) which has been disclosed in announcements made by MYOB to ASX prior to 12.00pm (Sydney time) on 27 October 2008 has increased by an amount greater than \$1 million, or in aggregate, by a value greater than \$3 million.*	MYOB has complied, and continues to comply, with its continuous disclosure obligations and its obligations to prepare accounts under the Corporations Act and the ASX listing rules. MYOB considers that it has disclosed all liabilities which it is required to disclose under accounting standards and the Corporations Act. MYOB is seeking clarification from Manhattan Software as to what specific concerns Manhattan Software may have in relation to undisclosed liabilities.

SECTION 5

Important matters for MYOB shareholders to consider

5.1 Minority ownership consequences

If Manhattan Software acquires more than 50% but less than 90% of the MYOB Shares then, assuming all other conditions to the Offer are fulfilled or freed, Manhattan Software will acquire a majority shareholding in MYOB.

Accordingly, shareholders who do not accept the Offer will become minority shareholders in MYOB. This has a number of possible implications, including:

- Manhattan Software will be in a position to cast the majority of votes at a general meeting of MYOB. This will enable it to control the composition of MYOB's board of directors and senior management, determine MYOB's dividend policy and control the strategic direction of the businesses of MYOB and its subsidiaries. Manhattan Software has stated in its Bidder's Statement that in such circumstances it would seek to replace all members of the MYOB board with nominees of Manhattan Software and that it would be likely to appoint Andrew Gray and Craig Wood (and a nominee of HIPEP V Direct) to the MYOB Board, details of Mr Gray and Mr Wood are found in section 2.2 of the Bidder's Statement;
- the MYOB share price may fall immediately following the end of the Offer Period although this may be mitigated by the underlying attractiveness of MYOB's business;
- liquidity of MYOB Shares is likely to be lower than at present;
- while Manhattan Software has stated in its Bidder's Statement that it intends to maintain MYOB's ASX listing in these circumstances, if the number of MYOB shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing then MYOB may have to be removed from the official list of the ASX. If this occurs, MYOB Shares will not be able to be bought or sold on the ASX;
- subject to the Corporations Act and the ASX Listing Rules, Manhattan Software would be in a position to seek to effect the Group Restructure described in sections 3.2(b) and 3.3(b) of the Bidder's Statement. Manhattan Software has stated in it's Bidder's Statement that it proposes to restructure the MYOB group into growth entities and core entities and increase the gearing of the MYOB group. It is important to note that little detail is provided on the Group Restructure, how Manhattan Software proposes to effect the implementation of the Group Restructure in circumstances where they do not own 100% of MYOB and how the Group Restructure will provide a "more stable earnings basis for any future borrowings". MYOB believes the lack of detail provided by Manhattan Software provides significant uncertainty as to the implications of the Group Restructure for minority shareholders in MYOB;
- subject to the Corporations Act and the ASX Listing Rules, Manhattan Software would be in a position to determine MYOB's capital management strategy. According to the disclosure set out in the Manhattan Software's Bidder's Statement (see section 3.3(c)), Manhattan Software's current expectation is that there will be an interim special dividend and equal capital reduction in the first 12 month period following them getting effective control of MYOB. It is important to note that, if such strategy is implemented, MYOB's gearing level would significantly increase with correspondingly higher levels of interest expense and financial risk (see further section 5.2 of this Target's Statement);
- future MYOB dividend policy under the management of Manhattan Software (as described in section 5.2 of this Target's Statement) may vary significantly from MYOB's current dividend policy; and
- if Manhattan Software acquires 75% or more of the MYOB Shares it will be able to pass a special resolution of MYOB. This will enable Manhattan Software to, among other things, change MYOB's constitution.

5.2 Implications for capital management

MYOB paid a fully franked dividend of 3.25 cents per share in respect of the 2007 year.

In March 2008, the directors resolved to lift the future dividend pay out ratio to a target of 80% of reported earnings (up from 50%), reflecting the long term cash generating capability of the business along with an increasing level of franking credits.

MYOB has returned approximately $143.2 m or 36.89 cents per MYOB Share by way of capital returns and dividend payments in FY2008.

As outlined in section 5.1 above, Manhattan Software intends to implement a capital management policy with the following features:

- the payment of an initial special dividend out of available distributable profits; and
- subject to MYOB shareholder approval, implementation of an equal capital reduction.

If this policy is implemented by Manhattan Software, it is expected that MYOB's gearing level will increase significantly.

5.3 Compulsory acquisition

Manhattan Software has indicated in section 3.2(a) of its Bidder's Statement that if it satisfies the required thresholds it intends to compulsorily acquire any outstanding MYOB Shares.

Manhattan Software will be entitled to compulsorily acquire any MYOB Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period, Manhattan Software and its associates have a relevant interest in at least 90% (by number) of the MYOB Shares.

If this threshold is met, Manhattan Software will have one month after the end of the Offer Period within which to give compulsory acquisition notices to MYOB shareholders who have not accepted the Offer. MYOB shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their MYOB Shares. If compulsory acquisition occurs, MYOB shareholders who have their MYOB Shares compulsorily acquired are likely to be paid their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

It is also possible that Manhattan Software will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the fully diluted share capital of MYOB ie. of MYOB Shares and Options in aggregate. Manhattan Software would then have rights to compulsorily acquire MYOB Shares and Options not owned by it within 6 months of becoming the holder of 90%. The price which Manhattan Software would have to pay to compulsorily acquire MYOB Shares and Options under this procedure would have to be considered in a report of an independent expert.

5.4 Interests and dealings in MYOB securities

(a) Interests in MYOB Shares and Options

As at the date of this Target's Statement, your directors had the following relevant interests in MYOB Shares and Options:

Director	Number and class of securities	Interest in securities NB: exercise prices of Options are post capital returns effected on 9 May and 19 November 2008
Tim Reed	100,754 MYOB Shares	100,754 (Direct interest)
	5,672,054 Options	80,000 Options, exercisable at $1.084, expiring 1 November 2009
		60,000 Options, exercisable at $0.7751, expiring 22 March 2010
		78,267 Options, zero exercise price, expiring 2 May 2010
		333,348 Options, zero exercise price, expiring 3 May 2011
		120,439 Options, zero exercise price, expiring 20 March 2013
		5,000,000 Options exercisable at $1.0361, expiring 11 July 2013
Simon Martin	4,050,086 Options	75,210 Options, zero exercise price, expiring 2 May 2010
		400,000 Options, exercisable at $0.7556, expiring 10 June 2010
		311,348 Options, zero exercise price, expiring 3 May 2011
		113,528 Options, zero exercise price, expiring 20 March 2013
		3,150,000 Options, exercisable at $0.9596, expiring 24 September 2013
Craig Winkler	109,924,044 MYOB Shares	4,700,000 (Direct interest)
		105,224,044 (Indirect interest)
	600,000 Options	600,000 Options, exercisable at $0.9266, expiring 23 May 2010
Colin Henson	234,323 MYOB Shares	234,323 (Indirect interest)
Christopher Williams	259,658 MYOB Shares	259,658 (Indirect interest)
Simon McKeon	629,894 MYOB Shares	102,236 (Direct interest)
		527,658 (Indirect interest)
John Stewart	459,283 MYOB Shares	459,283 (Indirect interest

Note: In respect of Options with a zero exercise price which were issued and on the register of Options prior to 2 May 2008 (being the Record Date for determining entitlements to participate in the capital return effected by MYOB on 9 May 2008), MYOB is required, upon exercise of the relevant Options, to make a cash payment of 30.88 cents in respect of each Option that is exercised by the executive director. In respect of Options with a zero exercise price which were issued after 2 May 2008 and which were on the register of Options prior to or on 12 November 2008 (being the Record Date for determining entitlements to participate in the capital return effected by MYOB on 19 November 2008), MYOB is required to make a cash payment, upon exercise of the relevant Options, of 12.85 cents in respect of each Option that is exercised by the executive director.

(b) Dealings in MYOB Shares and Options

No director of MYOB has acquired or disposed of a relevant interest in any MYOB Shares or Options in the 4 month period ending on the date immediately before the date of this Target's Statement.

Important matters for MYOB shareholders to consider

5.5 Takeovers Panel proceedings

Shortly after Manhattan Software announced its intention to make the Offer, MYOB made an application to the Takeovers Panel regarding acceptance commitments which were disclosed as being received from some of MYOB's institutional shareholders (Committing Shareholders).

Such acceptance commitments are referenced in various places in the Bidder's Statement and, together, comprise 34% of MYOB Shares.

The Board was concerned that the acceptance commitments had created a perception in the market that the relevant shareholders' MYOB Shares were locked up, or committed to Manhattan Software, and that such perception was dissuading, and would continue to dissuade, other interested parties from investigating the possibility of putting forward an alternative proposal.

The Board made the application to the Takeovers Panel as it considers it is in the best interests of all shareholders that no potential party be dissuaded from bidding for MYOB Shares as a result of a perceived blocking stake.

The Takeovers Panel found in favour of MYOB and has made a declaration of unacceptable circumstances stating that it appears to the Takeovers Panel that the circumstances are unacceptable:

- having regard to the effect that the Takeovers Panel is satisfied that the circumstances have had, are having, or are likely to have, on the control or potential control of MYOB;
- having regard to the purposes of Chapter 6 set out in section 602 of the Corporations Act; or
- because they constituted or constitute, or gave or give rise to, a contravention of section 606 of the Corporations Act.

The Takeovers Panel has made orders in respect of the acceptance commitments including the following:

- the Committing Shareholders are released from any commitment to accept the Offer;
- the Committing Shareholders **must not accept** the Offer or commit to do so prior to 9 December 2008;
- if a superior proposal for the acquisition of all the shares in MYOB is announced prior to 9 December 2008, the Committing Shareholders must accept (or, if a scheme, vote in favour of) that superior proposal in the absence of a further superior proposal (which may include an improved offer by Manhattan Software); and
- the Committing Shareholders must not lodge an acceptance into an institutional acceptance facility established for the purposes of the bid prior to 9 December 2008.

SECTION 6

Taxation consequences

6.1 Introduction

The following is a general description of the Australian income, CGT and GST consequences to MYOB shareholders:

- who dispose of their MYOB Shares through acceptance of Manhattan Software's Offer or as a result of the shares being compulsorily acquired; or
- who do not dispose of their MYOB Shares under the Offer and receive a Special Dividend and Return of Capital in the event Manhattan Software acquires more than 50% but less than 90% of MYOB Shares and all other conditions to the Offer are fulfilled or freed and Manhattan Software implements the Capital Management Policy.

In particular, please refer to section 6.3 below, where MYOB disagrees with the comments in the Bidder's Statement.

The following description is based upon taxation law and practice in effect at the date of this Target's Statement. Any changes in the tax law or interpretation of the tax law subsequent to the date of the Target's Statement may alter the information outlined below.

The information provided is not intended to be an authoritative or complete analysis of the taxation laws of Australia applying to the specific circumstances of any particular shareholder. Accordingly, each MYOB Shareholder is advised to consult their professional adviser regarding the Australian tax consequences of holding or disposing of MYOB Shares in light of the shareholder's particular circumstances.

The comments set out below in relation to Australian tax are relevant only to Australian resident shareholders who hold their MYOB Shares on capital account. Other MYOB shareholders should seek their own advice regarding tax consequences for them.

6.2 Disposal of MYOB Shares – Australian resident MYOB shareholders

The acceptance of Manhattan Software's Offer will generally have CGT consequences.

CGT event A1 should occur where MYOB shareholders dispose of their MYOB Shares by accepting the Offer or if their MYOB Shares are acquired under compulsory acquisition.

In general, a capital gain on the disposal of a MYOB Share should arise where the capital proceeds (i.e. the cash consideration received in exchange for the share) exceeds the cost base in the MYOB Share. Where the capital proceeds are less than the reduced cost base, a capital loss should arise.

The cost base of MYOB Shares should generally be the amount paid to acquire the shares plus any incidental costs of acquisition (for example, brokerage fees and stamp duty).

If an individual, trust or complying superannuation fund has held the shares for at least 12 months, they may be eligible to treat the capital gain as a discount capital gain:

- for an individual or trust – only half of their net capital gain (after deducting available capital losses) will be included in their assessable income; and
- for a complying superannuation fund – only two thirds of their net capital gain should be included in their assessable income (after deducting available capital losses).

If the MYOB Shares were acquired before 11.45 am on 21 September 1999, the MYOB shareholder may choose to index the cost base in the MYOB Shares rather than applying the discount capital gain method. If this is applicable, MYOB recommends that you seek specific advice in this regard.

6.3 Return of Capital and Special Dividend

As set out in the Bidder's Statement, if Manhattan Software acquires more than 50% but less than 90% of MYOB Shares and all other conditions to the Offer are fulfilled or freed, Manhattan Software proposes to implement the Capital Management Policy. In this case, those shareholders that do not dispose of their shares under the Offer may receive a distribution consisting of a Return of Capital and Special Dividend.

MYOB would like to clarify the following comments contained in section 6.3 of the Bidder's Statement where Manhattan Software states:

> *"Manhattan Software intends that MYOB will engage with the ATO on behalf of MYOB shareholders with a view to obtaining agreement regarding the extent to which the distributions pursuant to the Capital Management Policy will be respected as a return of capital for Australian income tax purposes. Manhattan Software understands that the outcome of the discussions with the ATO is likely to be that the quantum of the Special Dividend will be significantly larger than the quantum of the Return of Capital. Further, Manhattan Software anticipates that a substantial portion of the Special Dividend (if not all of it) is likely to be an unfranked dividend."*

Given MYOB's cash surplus, minimal debt funding and current consolidated retained earnings position, MYOB anticipates that it has capacity to return significant additional capital to shareholders in the future.

In this regard, MYOB has received a favourable response from the ATO in relation to the May 2008 capital return and, most recently, the capital return paid on 19 November 2008. The ATO has accepted that a significant proportion (if not all) of the returns to shareholders should be sourced from share capital.

Accordingly, in MYOB's view, any Return of Capital under the proposed Capital Management Policy should be significantly larger than the Special Dividend.

MYOB also notes that it had sufficient franking credits to enable all dividends paid during the current year to shareholders to be fully franked, including the 2007 final dividend and the special dividend as part of the May 2008 capital reduction.

Accordingly, MYOB would expect to have franking credits to enable a significant portion of the proposed Special Dividend to be paid on a fully franked basis.

(a) **Return of Capital**

(1) **Australian resident MYOB shareholders**

CGT event G1 should happen for MYOB shareholders at the time that the Return of Capital is paid by MYOB. MYOB shareholders should make a capital gain where the portion of the distribution which is a Return of Capital exceeds the cost base that the MYOB shareholders have in their MYOB Shares.

Where the portion of the distribution that is a Return of Capital does not exceed the cost base of the MYOB Shares, the cost base should be reduced by that portion of the distribution.

The Return of Capital will not result in a capital loss to MYOB shareholders.

A MYOB shareholder may be entitled to treat any potential capital gain as a discount capital gain or choose to index the cost base of their MYOB Shares. Please refer to the discussion above in relation to the availability of the discount capital gain and indexation methods.

(2) **Capital streaming integrity provisions**

The Commissioner of Taxation has the power to deem certain payments (so-called 'capital benefits') which are paid to shareholders in substitution for taxable dividends to be treated as taxable dividends for income tax purposes.

Manhattan Software has stated in its Bidder's Statement that it intends that MYOB will request the Commissioner of Taxation to make a ruling regarding the extent to which the distributions pursuant to the Capital Management Policy will be accepted as Return of Capital as outlined above.

(b) **Special Dividend - Australian resident MYOB Shareholders**

The MYOB shareholders will be required to include the Special Dividend in their assessable income.

To the extent that the Special Dividend is franked, the dividend should be grossed-up for the amount of franking credits attaching to the dividend. The grossed-up dividend should be included in the MYOB shareholder's assessable income and the MYOB shareholder may be entitled to a tax offset equal to the franking credits attached.

Where the Special Dividend is unfranked, the MYOB shareholder should include the cash dividend received in their assessable income. The MYOB shareholder would not be entitled to a tax offset.

Whether a MYOB shareholder will be required to include the attached franking credits in their assessable income and be entitled to claim the benefit of the attached franking credits will depend on various factors, including whether the 45 day holding period requirement has been satisfied.

MYOB shareholders should seek their own tax advice on the treatment of the Special Dividend and the attached franking credits.

6.4 Stamp duty and GST

The stamp duty (if any) payable in Australia on the transfer of MYOB Shares will be payable by Manhattan Software.

The transfer of the MYOB Shares should not be subject to GST as the transfer of shares is a financial supply for GST purposes.

SECTION 7

Other material information

7.1 Effect of the takeover on MYOB's financing facilities

MYOB currently has $54.4 million outstanding under finance facilities with Commonwealth Bank of Australia (CBA), $50 million of this is outstanding under the term debt facility.

MYOB's financing facilities provide that if there is a change of control of MYOB, MYOB must notify CBA and MYOB and CBA must consult and conduct discussions in good faith for a period of 30 days to agree a plan of action to remedy the effect of the change of control of MYOB and/or to protect CBA from any adverse consequences arising from the change of control.

If CBA and MYOB cannot agree a plan of action during the consultation period, then MYOB has five business days to notify CBA that it will prepay the total amount outstanding under the facilities on a date which cannot be more than 60 days after the end of the consultation period. A prepayment fee of 0.20% of the amount outstanding under the term debt facility (including any interest) would be payable by MYOB in these circumstances.

If MYOB does not notify CBA of its intention to prepay the facilities by the end of those 5 business days, CBA can require MYOB to repay the total amount outstanding under the facilities upon at least 60 days notice. In these circumstance a prepayment fee of 0.10% of the total amount outstanding under all of the facilities (including any interest) is payable by MYOB.

Control is defined in MYOB's financing facilities to have the meaning given in section 608(4) of the Corporations Act. Therefore, the above obligations would be triggered if, and when, Manhattan Software obtains a relevant interest in more that 50.1% of MYOB's Shares and the Offer becomes or is declared unconditional.

7.2 Effect of Offer on MYOB's employee incentive schemes and securities issued under those schemes

(a) Deferred Share Plan

The MYOB Deferred Share Plan allows employees and directors to acquire MYOB Shares which are held by MYOB Share Plan Pty Ltd (the Trustee) and cannot be sold or otherwise dealt with until any vesting conditions, trading restrictions and or forfeiture conditions have ceased to apply (Restricted MYOB Shares).

The Trustee holds 1,342,817 Restricted MYOB Shares, of which 656,148 have vested and 686,669 have not vested under the terms of the applicable offers.

Both vested and unvested Restricted MYOB Shares held by the Trustee are subject to forfeiture conditions which apply in the circumstances set out in the rules, such as when a participant is terminated for misconduct or fraud. The forfeiture conditions cease to apply 10 years from the date of issue, or earlier at the determination of the Board, provided that circumstances that would give rise to forfeiture do not exist at the time such determination is made.

No Restricted MYOB Shares may be transferred or dealt with without the consent of the Board prior to the forfeiture conditions ceasing to have effect.

At this stage, the Board does not consider that the circumstances exist to support a decision by the Board to lift the vesting conditions and forfeiture conditions. The Board will continue to monitor the progress of the Offer and consider if such a decision is appropriate.

Therefore if you hold Restricted MYOB Shares, you cannot accept the Offer in respect of those MYOB Shares. If you hold Restricted MYOB Shares in addition to MYOB Shares which are not subject to any transfer restrictions Manhattan Software has stated in its Bidder's Statement that you can accept the Offer for your MYOB Shares that are not subject to transfer restrictions (see section 8.10(d) of the Bidder's Statement for more information).

The Offer extends to Restricted MYOB Shares where the Board releases the vesting conditions and forfeiture conditions during the Offer Period. Therefore if, and if so, when, the Board does so, shareholders holding Restricted MYOB Shares will be able to accept the Offer in respect of those MYOB Shares.

(b) **Executive Option Plan**

The Executive Option Plan provides for the grant of Options to acquire MYOB Shares subject to the satisfaction of performance and/or vesting conditions.

Under rule 13.1 of the Executive Option Plan Rules, if prior to the "first exercise date" (broadly, when the applicable vesting conditions have been satisfied) the Board determines that there are circumstances which have occurred or are likely to occur, and such circumstances:

- will result in significant changes to the structure or control of MYOB; and
- may adversely affect the rights or value of benefits to Participants,

then each participant is able to lodge a "notice of exercise" in respect of the relevant Options.

There are currently 17,895,736 Options in respect of which the "first exercise date" has not occurred (ie which are unvested).

At this stage, the Board does not consider that the circumstances exist to support a determination being made. The Board will continue to monitor the progress of the Offer and consider if a determination should be made.

Under rule 13.2 of the Executive Option Plan Rules, and in the context of Manhattan Software's Offer, participants will be able to exercise their Options at any time during the period of 6 months following the date on which the Offer becomes unconditional.

This right is subject to the restriction that no Option may be exercised after the "last exercise date" (which is five to ten years from the date of grant, as specified in the applicable offer).

There are currently 7,302,800 Options in respect of which the "first exercise date" has passed and which the Last Exercise Date has not yet occurred.

In addition, the Board has an overriding discretion to permit participants to exercise some or all of their Options for a period determined by the Board if the events under rule 13.1 or 13.2 occur. If the Board does not exercise its discretion, or only exercises it in respect of part of the Options, any Options in respect of which the discretion has not been exercised will lapse 6 months from an event occurring under rule 13.1 or 13.2.

MYOB Shares which are acquired as a result of the exercise of Options may be disposed of or otherwise dealt with, subject to requirements of MYOB's trading policy and the Corporations Act.

The Offer extends to MYOB Shares issued during the Offer Period on the exercise of Options that are on issue at 7pm on 4 November 2008. Therefore shareholders who are issued with MYOB Shares during the Offer Period pursuant to the exercise of such Options will be able to accept the Offer in respect of those MYOB Shares.

(c) **Options granted to the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of MYOB**

In respect of the 5,000,000 Options granted to the CEO in July 2008 and the 3,150,000 Options granted to the CFO in September 2008, in the event of change of control of MYOB:

- in the first 365 days of tenure, 1/3 of Options granted will immediately vest;
- in the period from day 366 to day 730, 1/3 of Options granted will immediately vest and 1/3 will vest pro rata subject to the achievement of the relevant performance conditions (which are based on total shareholder return and earnings per share); and
- from day 731 onwards 1/3 of Options granted will immediately vest and 2/3 will vest pro rata subject to the achievement of the relevant performance conditions.

These Options are subject to challenging performance hurdles which must be met over a three year performance period. In addition, to exercise the Options and acquire MYOB Shares the executive must pay an exercise price.

Other material information

The performance hurdles are directly linked to MYOB's performance and superior results must be achieved for full vesting to occur. Half of the Options granted are subject to the Compound Annual Growth Rate (CAGR) of MYOB's earnings per share (EPS). Options will only begin to vest if the CAGR for EPS is 10% and full vesting will only occur if the EPS CAGR achieved is 24% or higher. The remaining half of the options are subject to the achievement of a minimum CAGR of 10% for MYOB's total shareholder return (TSR), with full vesting only occurring if TSR CAGR is 24% or higher.

These demanding performance hurdles reflect the high expectations MYOB has for the performance of MYOB over the coming years and have been designed to offer the CEO and CFO incentive to drive superior performance.

7.3 Third party statements and consents

The Board has assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless expressly indicated otherwise in this Target's Statement). However, the MYOB directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any of the statements contained in it.

This Target's Statement contains statements made by, or statements said to be based on statements made by:

- Lonergan Edwards & Associates Limited;
- Ernst & Young Transaction Advisory Services Limited; and
- GfK Marketing Services Australia Pty Ltd,

each of whom has consented to the inclusion of each statement it has made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Target's Statement.

As permitted by ASIC Class Order 01/1543 this Target's Statement contains statements which are made, or based on statements made, in documents lodged by Manhattan Software with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by Manhattan Software. Pursuant to the Class Order, the consent of Manhattan Software is not required for the inclusion of such statements in this Target's Statement. Any MYOB shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the MYOB shareholder information line on **1300 542 251** (for calls made from within Australia) or **+613 9415 4672** (for calls made from outside Australia). (Any telephone calls to these numbers may be recorded, indexed and stored.)

In addition, as permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

None of Freehills, Helfen Corporate Advisory or Macquarie Capital Advisers Limited should be regarded as having made any statement in this Target's Statement, nor as having authorised the issue of it.

SECTION 8

Glossary and interpretation

8.1 Glossary

The meanings of the terms used in this Target's Statement are set out below.

Term	Meaning
$, A$ or **AUD**	Australian dollar.
Accountants Division	the division of MYOB's business that provides solutions to accountants in public practice.
Adjusted EBITDA	EBITDA less product development spend.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited.
Bidder's Statement	the bidder's statement of Manhattan Software dated 17 November 2008.
Board	the board of directors of MYOB.
Business Division	the division of MYOB's business that provides solutions to SMEs.
CAGR	compound annual growth rate.
Capital Management Policy	has the meaning given to that term in section 3.3(c) of the Bidder's Statement.
Cash Confirmation	has the meaning given to that term in section 4.10 of this Target's Statement.
CGT	capital gains tax.
Corporations Act	the *Corporations Act 2001* (Cth) (as modified or varied by ASIC).
Deferred Share Plan	MYOB Limited Deferred Share Plan.
EBITDA	earnings before interest, tax, depreciation and amortisation of continuing MYOB businesses (see section 4).
Earnings Confirmation	has the meaning given to that term in section 4.10 of this Target's Statement.
Executive Option Plan	MYOB Limited Executive Option Plan.
Executive Option Plan Rules	The rules of the Executive Option Plan.
FIRB Condition	the condition contained in section 8.7(b) of the Bidder's Statement.
FY	MYOB's financial year ended 31 December of the relevant year.
Group Restructure	has the meaning given to that term in section 3.2(b) of the Bidder's Statement.
GST	the goods and services tax imposed under the *A New tax System (Goods and Services Tax) Act 1999* (Cth) and related imposition acts of the Commonwealth of Australia.
Independent Expert or **Lonergan Edwards**	Lonergan Edwards & Associates Ltd ACN 095 445 560.

Glossary and interpretation

Term	Meaning
Independent Expert's Report	the Independent Expert's report prepared by the Independent Expert and dated 1 December 2008 which is contained in Attachment 2 to this Target's Statement.
Liabilities Confirmation	has the meaning given to that term in section 4.10 of this Target's Statement.
Manhattan Software	Manhattan Software Bidco Pty Limited ACN 133 875 126 as trustee of the Manhattan Software Unit Trust.
MYOB	MYOB Limited ABN 53 086 760 303.
MYOB Shares	fully paid ordinary shares in MYOB.
Notice of Status of Conditions	Manhattan Software's notice disclosing the status of the conditions to the Offer which is required to be given by section 630(3) of the Corporations Act.
Offer or **Manhattan Software's Offer**	the offer by Manhattan Software for the MYOB Shares, which offer is contained in section 8 of the Bidder's Statement.
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 8.3 of the Bidder's Statement, being until 7.00pm Sydney time on 18 December 2008 (unless extended).
Options	an option to acquire one fully paid ordinary MYOB Share granted under the Executive Option Plan.
Return of Capital	has the meaning given to that term in section 3.3(c) of the Bidder's Statement.
Restricted MYOB Shares	has the meaning given in section 7.2(a) of this Target's Statement.
SMEs	small-medium enterprises, comprised of small businesses (with less than 20 employees) and medium businesses (with 20 to 200 employees).
Special Dividend	has the meaning given to that term in section 3.3(c) of the Bidder's Statement.
Target's Statement	this document (including the attachments), being the statement of MYOB under Part 6.5 Division 3 of the Corporations Act.
Trustee	has the meaning given in section 7.2(a) of this Target's Statement.

8.2 Interpretation

In this Target's Statement:

(1) Other words and phrases have the same meaning (if any) given to them in the Corporations Act.

(2) Words of any gender include all genders.

(3) Words importing the singular include the plural and vice versa.

(4) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.

(5) A reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant.

(6) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.

(7) Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.

(8) A reference to time is a reference to Sydney time.

(9) A reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

SECTION 9

Authorisation

This Target's Statement has been approved by a resolution passed by the directors of MYOB. All MYOB directors voted in favour of that resolution.

Signed for and on behalf of MYOB:

Simon McKeon
Chairman

1 December 2008

Attachment A
Independent Accountant's Report

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ERNST & YOUNG

Ernst & Young Transaction Advisory Services Limited
Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

1 December 2008

The Directors
MYOB Limited
12 Wesley Court
Burwood East
Victoria 3151

Dear Directors

Independent Accountant's Report on Forecast Financial Information

We have prepared this Independent Accountant's Report (the "Report") on the forecast financial information of MYOB Limited ("MYOB") for the financial year ending 31 December 2008 for inclusion in a Target's Statement to be dated on or about 1 December 2008 (the "Target Statement") relating to the response to the Offer from Manhattan Software Bidco Pty Ltd.

The nature of this Report is such that it can be given only by an entity, which holds an Australian Financial Services Licence under the Corporations Act. Ernst & Young Transaction Advisory Services Limited holds the appropriate Australian Financial Services Licence.

Scope

You have requested Ernst & Young Transaction Advisory Services Limited to prepare a report for inclusion in the Target Statement covering the following information:

(a) Forecast Pro forma Earnings on a continuing basis of MYOB for the year ending 31 December 2008 as set out in Section 4.3 of the Target Statement

The financial information set out above is referred to collectively as the "Directors' Forecasts".

The Directors are responsible for the preparation and presentation of the Directors' Forecasts, including the best-estimate assumptions, which include the pro-forma transactions, on which they are based. The Directors' Forecasts have been prepared for inclusion in the Target Statement. We disclaim any assumption of responsibility for any reliance on this Report or on the Forecasts to which it relates for any purposes other than for which it was prepared.

Review of Directors' Forecasts

Our review of the Directors' Forecasts was conducted in accordance with the Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary. These procedures included discussion with the Directors and management of MYOB and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that:

(a) The Directors' best-estimate assumptions do not provide a reasonable basis for the preparation of the Directors' Forecasts;

(b) In all material respects, the Directors' Forecasts are not properly compiled on the basis of the best-estimate assumptions; and

(c) the Directors' Forecasts are not presented fairly in accordance with the recognition and measurement principles (but not all of the presentation and disclosure requirements) set out in Sections 4.2 and 4.3 of the Target Statement.

The Directors' Forecasts have been prepared by the Directors to provide shareholders with a guide to MYOB's potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the Directors' Forecasts. Actual results may vary materially from those Directors' Forecasts and the variation may be materially positive or negative. Accordingly, investors should have regard to the Risk Factors set out in Section 4.9 of the Target Statement.

Our review of the Directors' Forecasts, that are based on best-estimate assumptions, is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Directors' Forecasts included in the Target Statement.

Review Statement

Based on our review of the Directors' Forecasts as set out in Sections 4.3 of the Target Statement, which is not an audit, and based on an investigation of the reasonableness of the Directors' best-estimate assumptions giving rise to the prospective financial information, nothing has come to our attention which causes us to believe that:

(a) The Directors' best-estimate assumptions set out in Sections 4.6 of the Target Statement do not provide a reasonable basis for the preparation of the Directors' Forecasts;

(b) The Directors' Forecasts are not properly compiled on the basis of the Directors' best-estimate assumptions; and

(c) the Directors' Forecasts are not presented fairly in accordance with the recognition and measurement principles (but not all of the presentation and disclosure requirements) set out in Sections 4.2 and 4.3 of the Target Statement.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of MYOB and the Directors. If events do not occur as assumed, actual results achieved and distributions provided by MYOB may vary significantly from the Directors' Forecasts. Accordingly, we do not confirm or guarantee the achievement of the Directors' Forecasts, as future events, by their very nature, are not capable of independent substantiation. Investors should have regard to the Risk Factors detailed in Sections 4.9 of the Target Statement.

Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of MYOB have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services Limited does not have any interest in the outcome of the Offer other than in connection with the preparation of this Report and participation in due diligence procedures. Ernst & Young Transaction Advisory Services Limited will receive a professional fee for the preparation of this Report. Ernst & Young is the statutory auditor of MYOB for the year ending 31 December 2008 for which we receive a market based fee.

The Directors of MYOB have agreed to indemnify and hold harmless Ernst & Young Transaction Advisory Services Limited, Ernst & Young and its employees from claims arising out of misstatement or omissions in any material or information supplied by the Directors.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

Stephen Lomas
Director and Representative

Ernst & Young Transaction Advisory Services Limited
Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
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FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Accountant's Report or Independent Expert's Report, (the "Report") in connection with a financial product.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. If you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may, at any time, provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

Contacting Ernst & Young Transaction Advisory Services	Contacting the Independent Dispute Resolution Scheme:
Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

Attachment B
Independent Expert's Report

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LONERGAN EDWARDS & ASSOCIATES LIMITED

ABN 53 095 445 560
AFS Licence No 246532
Level 27, 363 George Street
Sydney NSW 2000 Australia
GPO Box 1640, Sydney NSW 2001

Telephone: [61 2] 8235 7500
Facsimile: [61 2] 8235 7550

The Directors
MYOB Limited
12 Wesley Court
Burwood East Vic 3151

1 December 2008

Subject: MYOB Limited – Independent Expert's Report

Dear Sirs

Introduction

1 On 30 October 2008 Manhattan Software Bidco Pty Ltd[1] (Manhattan Software) announced a takeover offer for all the ordinary shares in MYOB Limited (MYOB) at an offer price of $1.0215[2] cash per share (the Offer). The Offer price will be increased to $1.1215[2] cash per share if Manhattan Software becomes entitled to proceed to compulsory acquisition of MYOB shares and certain debt financing conditions are satisfied or waived.

2 The Offer values the total equity in MYOB at approximately $458 million[3] and is subject to a number of conditions which are outlined in Section I.

3 While there is no statutory requirement for MYOB to obtain an Independent Expert's Report (IER), the Directors of MYOB have requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER stating whether, in LEA's opinion, the Offer is "fair and reasonable".

4 LEA is independent of MYOB and Manhattan Software and has no other involvement or interest in the outcome of the Offer, other than the preparation of this report.

5 MYOB is a provider of accounting software, payroll software and real-time business management tools and solutions to businesses and accounting practices. The company is the largest provider of these products and services to small to medium enterprises and accounting practices in Australia and New Zealand. In total over 700,000 businesses and accounting practices use its products in five countries across the Asia-Pacific region.

6 Manhattan Software is jointly owned by entities managed or advised by Archer Capital and HarbourVest Partners.

7 Archer Capital is one of Australia's leading private equity investment houses with more than $2.2 billion in funds under management and the longest track record of any leveraged buyout manager in Australia. It has extensive experience in dealing with public company acquisitions in the Australian market and internationally and has substantial transactional experience having closed more than 25 acquisitions involving aggregate deal values in excess of $3.3 billion across a broad range of industries.

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[1] As trustee of the Manhattan Software Unit Trust.
[2] The original offer prices were $1.15 per share and $1.25 per share respectively. Consistent with the terms of the Offer, these prices have been reduced by the capital return of 12.85 cents per share approved by MYOB shareholders at the extraordinary general meeting on 5 November 2008.
[3] Based on the higher Offer price of $1.1215 per share and fully diluted shares on issue of 408.7 million.

8 HarbourVest Partners, LLC is an independent global alternative investment firm and an SEC-registered investment advisor. HarbourVest Partners provides investment programs for institutional investors to invest in venture capital, buyout, mezzanine debt, distressed debt, and real estate. Since its inception, HarbourVest Partners has invested over US$1.8 billion in approximately 100 buyout transactions and US$900 million directly in over 157 growth stage enterprises around the world.

Summary of opinion

9 LEA has concluded that the Offer is neither fair nor reasonable.

10 We have arrived at this conclusion for the reasons set out below.

Valuation of MYOB

11 LEA has valued 100% of the ordinary shares in MYOB at between $1.16 and $1.29 per share, as summarised below:

	Low $m	High $m
Value of Accountants Division and Business Division	503.5	556.5
Emerging businesses:		
Accountants Resourcing	4.0	5.0
Web Hosting	11.0	12.0
Enterprise value	518.5	573.5
Less net debt	(30.0)	(30.0)
Less UK residual liabilities	(17.6)	(17.6)
Less restructuring costs	(3.3)	(3.3)
Investment in Net Return[(1)]	2.5	2.5
Add option exercise monies	4.0	4.0
Value of 100% of MYOB equity	474.1	529.1
Fully diluted shares on issue	408.7	408.7
Value per share	$1.16	$1.29

Note:

1 Based on expected sale proceeds.

12 We have assessed the market value of the Accountants Division and Business Division of MYOB (being the established continuing business operations of the company) adopting the capitalisation of underlying earnings before interest, tax, depreciation and amortisation (EBITDA) method. In particular, for valuation purposes, we have:

(a) adopted EBITDA[4] of $53 million, broadly equivalent to forecast underlying EBITDA for FY08

(b) applied controlling interest EBITDA multiples of 9.5 to 10.5 reflecting:

(i) the established nature of the business operations and associated strong market position held

(ii) the recurring nature of the majority of the revenue streams and the structure of the associated maintenance contracts which generate a strong positive working capital cash flow

(iii) the scope for continued growth associated with the significant level of investment in product development

(iv) to a lesser extent, the related tax benefits that arise from product development expenditure incurred.

[4] Representing EBITDA less actual product development expenditure.

Assessment of fairness

13 Pursuant to Australian Securities and Investments Commission (ASIC) Regulatory Guideline 111, an offer is "fair" if:

"The value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer."

14 This comparison is shown below:

	Low $ per share	High $ per share	Mid-point $ per share
Value of Offer consideration[1]	1.1215	1.1215	1.1215
Value of 100% of ordinary shares in MYOB	1.16	1.29	1.225
Extent to which the Offer consideration exceeds (or is less than) the value of the ordinary shares in MYOB	(0.0385)	(0.1685)	(0.1035)

Note:

1 For comparison purposes we have assessed the value of 100% of the equity in MYOB and have adopted the comparative (higher) Offer consideration of $1.1215 per share.

15 As the consideration offered by Manhattan Software is less than our assessed value of 100% of the ordinary shares in MYOB, in our opinion, the Offer is not fair.

Assessment of reasonableness

16 Pursuant to ASIC Regulatory Guide 111, an offer may be reasonable if, despite not being fair but after considering other significant factors, shareholders should accept the offer in the absence of a higher bid before the close of the offer.

17 In our opinion the Offer is also not reasonable because the Offer consideration represents a premium which, in our opinion, does not provide MYOB shareholders with a sufficient premium for control.

18 Furthermore, MYOB shareholders should note that we have assessed the Offer based on the higher Offer consideration of $1.1215 per share. This higher Offer consideration is based on conditions which include the ability of Manhattan Software to proceed to compulsory acquisition of MYOB. In the event this (or other conditions) are not met the Offer consideration is $1.0215 per share, which is 16.6% and 11.9% below the mid-point and lower end respectively of our assessed range of values of MYOB shares.

General

19 The taxation consequences of accepting the Offer depend on the individual circumstances of each investor. Shareholders should read the taxation advice set out in the Bidder's Statement and Target Statement and should consult their own professional adviser if in doubt as to the taxation consequences of the Offer.

20 The ultimate decision whether to accept the Offer should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. Shareholders considering their response to the Offer should be aware that our assessed value of MYOB shares has been determined having regard to their medium / longer term prospects. Given the current market conditions individual shareholders may have a different time horizon.

21 If shareholders are in doubt about the action they should take in relation to the Offer or matters dealt with in this report, shareholders should seek independent professional advice.

22 For our full opinion on the Offer, and the reasoning behind our opinion, we recommend that MYOB shareholders read the remainder of our report.

Yours faithfully

Craig Edwards
Authorised Representative

Martin Holt
Authorised Representative

Table of contents

I Outline of the Offer

23 On 30 October 2008 Manhattan Software Bidco Pty Ltd[5] (Manhattan Software) announced a takeover offer for all the ordinary shares in MYOB Limited (MYOB) at an offer price of $1.0215[6] cash per share (the Offer). The Offer price will be increased to $1.1215[6] cash per share if Manhattan Software becomes entitled to proceed to compulsory acquisition of MYOB shares and certain debt financing conditions are satisfied or waived.

24 The Offer values the total equity in MYOB at approximately $458 million[7] and is subject to a number of conditions set out below.

Conditions

25 The Offer is subject to the following conditions (amongst others):

(a) by the end of the offer period, Manhattan Software has a relevant interest in more than 50.1% of the MYOB shares on issue

(b) there is no objection to Manhattan Software acquiring MYOB shares under Australia's foreign investment laws

(c) no MYOB material adverse change occurs between the announcement date and the end of the offer period

(d) the Target Statement contains a statement which confirms each of the matters set out below in respect of the MYOB financial year ending 31 December 2008[8]:

(i) revenue from continuing operations will be between $183 million and $185 million

(ii) operating EBITDA will be greater than $73 million

(iii) operating earnings before interest and tax (EBIT) will be greater than $30 million; and

(iv) product development spend will not exceed $29 million

(e) the Target Statement contains a statement which confirms each of the matters set out below:

(i) as at 31 December 2008, the MYOB net cash position will be greater than $21 million (adjusted to exclude the impact of debt incurred to fund, or cash used to pay, the proposed return of capital of 12.85 cents per MYOB share); and

(ii) as at 31 December 2008, there will be no more than $18 million payable for MYOB tax, extraordinary costs and/or one-off payments, including but not limited to those related to the closure of MYOB's Business Division and Accountants Division in the United Kingdom, other expenses incurred to reduce the MYOB cost base and any deferred acquisition consideration

(f) the MYOB Target Statement contains a statement by the MYOB Board that it makes a recommendation in favour of the Offer to all MYOB shareholders

(g) the proposed capital return of 12.85 cents per MYOB share is approved by MYOB shareholders at the extraordinary general meeting on 5 November 2008 and subsequently paid[9]

(h) during the Offer period, MYOB does not pay any dividends (or distributions of any kind) other than the fully franked special dividend contained in the market release of 20 August 2008 or the proposed return of capital referred to above

(i) no prescribed occurrence occurs before the end of the offer period.

26 More detail on the above conditions (as well as others) is set out in the Bidder's Statement dated 17 November 2008.

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[5] As trustee of the Manhattan Software Unit Trust.

[6] The original offer prices were $1.15 per share and $1.25 per share respectively. Consistent with the terms of the Offer, these prices have been reduced by the capital return of 12.85 cents per share approved by MYOB shareholders at the extraordinary general meeting on 5 November 2008.

[7] Based on the higher Offer price of $1.1215 per share and fully diluted shares on issue of 408.7 million.

[8] Based on the MYOB ASX announcement of 26 November 2008 the revenue and EBITDA targets will not be met.

[9] This condition has since been met.

II Scope of our report

Purpose

27 While there is no statutory requirement for MYOB to obtain an IER, the Directors of MYOB have requested that LEA prepare an IER stating whether, in LEA's opinion, the Offer is "fair and reasonable".

28 This report has been prepared to assist the Directors of MYOB in making their recommendation to MYOB shareholders in relation to the Offer and to assist the shareholders of MYOB assess the merits of the Offer. The sole purpose of this report is to set out LEA's opinion as to whether the Offer is fair and reasonable. This report should not be used for any other purpose.

29 The ultimate decision whether to accept the Offer should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Offer or matters dealt with in this report, shareholders should seek independent professional advice.

Basis of assessment

30 Our report has been prepared under Section 640 of the Corporations Act 2001 (Corporations Act). Consequently, in preparing our report we have given due consideration to the Regulatory Guides issued by ASIC, particularly Regulatory Guide 111 "Content of Expert Reports".

31 Regulatory Guide 111 distinguishes "fair" from "reasonable" and considers:

(a) an offer to be "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. A comparison must be made assuming 100% ownership of the target company

(b) an offer to be "reasonable" if it is fair. An offer may also be "reasonable" if, despite not being "fair" but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

32 Our report therefore considers:

Fairness

(a) the market value of 100% of the shares in MYOB

(b) the cash consideration of $1.0215 per share offered by Manhattan Software, which will be increased to $1.1215 per share if Manhattan Software becomes entitled to compulsory acquisition of MYOB shares and debt financing conditions are satisfied or waived[10]

(c) the extent to which (a) and (b) differ (in order to assess whether the offer is fair under ASIC Regulatory Guide 111)

Reasonableness

(d) the extent to which a control premium is being paid to MYOB shareholders

(e) the listed market price of MYOB shares both prior to the announcement of the Offer and during the offer period

(f) the likely market price of MYOB shares if the Offer is not successful or if Manhattan Software acquires at least 50.1% but less than 100% of the shares in MYOB

(g) the position of MYOB shareholders if Manhattan Software acquires 50.1% but less than 100% of MYOB shares

(h) the value of MYOB to an alternative offeror and the likelihood of an alternative offer emerging, either prior to the close of the Offer, or sometime in the future

(i) the previous unsolicited approach received in February 2008 and the impact of intervening events on value

(j) other risks, advantages and disadvantages.

[10] The original offer prices were $1.15 per share and $1.25 per share respectively. Consistent with the terms of the Offer, these prices have been reduced by the capital return of 12.85 cents per share approved by MYOB shareholders at the extraordinary general meeting on 5 November 2008.

Limitations and reliance on information

33 Our opinion is based on the economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

34 Our report is also based upon financial and other information provided by or on behalf of MYOB. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Offer is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. None of these additional tasks have been undertaken.

35 We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalent to International Financial Reporting Standards (AIFRS).

36 An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

37 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts.

38 We have assumed that the forecasts have been prepared fairly and honestly, based on reasonable grounds and the information available to management at the time and within the practical constraints and limitations of such forecasts. We have assumed that management have reasonable grounds for the forecasts and the forecasts do not reflect any material bias. We have no reason to believe that these assumptions are inappropriate.

III Profile of MYOB

Overview

39 MYOB is a provider of accounting software, payroll software and real-time business management tools and solutions to businesses and accounting practices. The company is the largest provider of these products and services to small to medium enterprises and accounting practices in Australia and New Zealand. In total over 700,000 businesses and accounting practices use its products in five countries across the Asia-Pacific region.

History

40 MYOB started in Australia in 1991 and was one of the first businesses to recognise the unique needs of the owners of small and medium sized businesses and equip them with powerful, accessible and affordable business management systems.

41 MYOB began as both a software developer and a software re-publisher in the Asia-Pacific region. Success in helping empower business owners was recognised through rapid growth in clients and revenue. This growth was fuelled by recommendations from existing clients and this remains an important source of business today.

42 In 1996 MYOB acquired the worldwide rights to the intellectual property and brand, expanding its operations to include North America and Europe. In the same year MYOB received the prestigious Telstra and Australian Governments' Small Business of the Year Award (an awards program that MYOB now sponsors to support and encourage today's business owners).

43 In 1997 MYOB extended its strategic vision to include specific solutions for accounting practices. This strategy was pursued to assist accounting practices with both their internal operations and their interface with their own clients, many of whom use MYOB software.

44 A successful listing on the Australian Securities Exchange (ASX) in 1999 and the merger with accountants' system provider Solution 6 in 2004 solidified MYOB's position as a leading international source of solutions for owner-operated businesses and accounting practices.

45 MYOB continued to increase its appeal to a larger range of businesses and provide a broader set of solutions, to build on MYOB's strength at the financial core of the business. The acquisition of Exonet in 2005 and Commacc in 2006 led MYOB's expansion into medium size businesses (20 to 200 employees) in Australia and New Zealand. The acquisitions of Ilisys and SmartyHost in 2008 have been an integral part of MYOB's entry into delivering web services for Australian small / medium size businesses.

46 More recently MYOB has also increased its focus on the regions perceived to have the best growth opportunities for its business, being Australia, New Zealand and parts of Asia. Associated with this strategy the US operations were acquired by the local management team in December 2005, and the UK and European businesses were sold to third parties in April / May 2008.

Current operations

47 MYOB's head office is in Burwood East, Victoria, with the major operations of the business units being centred in Australia (which accounts for around 80% of total company revenues) and New Zealand. In addition, the group has operations in Singapore, Malaysia and Hong Kong. The group employs approximately 1,050 staff across Australia, New Zealand and Asia.

48 MYOB operates two core business units:

(a) the Accountants Division which provides business software and services to accounting professionals in practice

(b) the Business Division which provides business management software and services to small and medium enterprises.

49 In addition, MYOB has two emerging businesses which provide longer term potential for the group:

(a) MYOB Accountants Resourcing

(b) MYOB Web Hosting and other web services.

50 A description of each of these business units is set out below.

Accountants Division

51 The Accountants Division provides practice management software and related maintenance to professional accountants. It holds a market leading position in Australia and New Zealand, with over 9,000 practice clients.

52 A high proportion (over 90%) of annual revenues are of a recurring nature from existing clients, the bulk of which comprise maintenance fees. In addition, the client base has a low churn factor.

53 Historically strong revenue growth has been achieved notwithstanding modest price increases. Opportunities to cross sell the existing product set and more recently the introduction of new products and services have generated volume based increases in maintenance revenues.

54 Continued earnings growth in the business unit is anticipated from:

(a) opportunities to continue to expand the product / service offering

(b) continued margin expansion through improvements in implementation process, support, upgrade paths and client usability.

Business Division

55 The Business Division provides accounting, payroll and business management software to small and medium businesses, including related support plans and services. It holds a strong market position, with over 700,000 clients in the Australian and New Zealand small to medium enterprise (SME) market segment[11].

56 It has generally maintained a consistent market share (by both value and volume) in the small business segment of around 70% in Australia and around 80% in New Zealand.

57 A high proportion (around 75%) of annual revenues are of a recurring nature, derived from existing clients. In addition, due to its brand and distribution strength the business generates a stable share of revenues from new unit / licence sales.

58 Strong revenue growth has been achieved notwithstanding a similar conservative approach to price increases. Factors contributing to this growth have included:

(a) small business segment – the successful migration of clients to annual support plans, a shift in the product mix to higher value products, changes in the distribution channel mix and the acquisition of new clients

(b) medium business segment – the expansion into this segment in late 2006 / early 2007 and the subsequent growth therein.

59 Targeted business improvements in existing marketing, support and sales channels are expected to generate an increase in business unit operating margins.

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[11] This segment is comprised of small businesses (with less than 20 employees) and medium businesses (with 20 to 200 employees).

Emerging businesses

MYOB Accountants Resourcing

60 MYOB Accountants Resourcing is a service that enables accountants in public practice to outsource the completion of compliance work (tax return preparation, entity accounts, Self-Managed Super Fund accounts, corporate secretarial work etc) to a group of professionally qualified, MYOB employees based in Kuala Lumpur.

61 The business drivers include:

(a) the increasing volume of compliance work for medium and larger Australian / New Zealand accounting firms while the supply of qualified labour in Australia / New Zealand is going down; and

(b) MYOB's existing, trusted relationships and established field force working directly with accounting practices.

62 MYOB is the current market leader in offering these services in Australia and New Zealand. With increasing scale the business is moving towards profitability, anticipated in FY10.

MYOB Web Hosting

63 Associated with acquisitions in FY08 MYOB has recently entered the web hosting market segment and offers domain registration, email hosting and website hosting to small and medium businesses.

64 Ilisys, a small Perth based domain registration and web hosting provider with a strong, scaleable platform, was acquired in February 2008 for $4.0 million. SmartyHost, an established supplier of web hosting services to Australian businesses (with strong online marketing experience) was acquired in August 2008 for $7.2 million.

65 MYOB consider the sector to be a substantial market opportunity, based on recurring revenues at a good margin when run on a scaleable platform. Further, MYOB believes that in time there will be a natural joining between in-house business management systems, such as those provided today, and SME websites[12]. Being the leading provider of business management platforms gives MYOB a natural advantage in becoming the leader in generation 2.0 SME websites. To secure this vision MYOB is building a strong position in the provision of generation 1.0 SME websites.

Industry information

66 MYOB is the market leader in the Australian and New Zealand accounting and small business software markets with market shares of approximately 70% and 87% respectively. The other significant competitor in these markets is Reckon Limited, while a number of other operators such as Sage Group plc have a smaller market presence.

67 The accounting and small business software market is part of the information technology industry, and a subset of the Australian software sector. The sector generally requires high levels of improvisation and innovation to remain relevant in an increasingly complex and dynamic world, and as such requires continual investment and product development. The market leading companies operating in this segment (in Australia and overseas) tend to have a high level of recurring revenues and generally exhibit high levels of resilience to unfavourable economic conditions.

68 Accounting and related software products began life as organisational tools to deal with compliance (tax and record keeping) and general management. Over time performance related modules have been packaged into the software to provide enterprise wide information technology systems.

69 Looking forward competitors in this segment are likely to increase the number of product / service offerings included in their software packages. These may include tools such as marketing avenues and web based products. Integrated web based systems are likely to feature more predominantly as customers increasingly seek packages with internet enabled features, such as automatic recording of sales and the organisation and storage of this data (as is done for larger enterprises).

[12] MYOB management consider this will happen when small businesses are forced by customer demand to offer transaction websites where invoices can be downloaded and paid, order status or price lists can be checked, client details can be updated etc.

Summary of financial performance

70 A summary of MYOB's reported historical operating performance for the two years ended 31 December 2007, as well as management's forecast[13] for the year ending 31 December 2008 is set out below:

	2006 Actual $000	2007 Actual $000	2008 Forecast $000
Sales	182,258	205,638	191,673
Gross profit	158,308	180,012	169,125
Expenses	(92,640)	(102,403)	(95,314)
EBITDA (before significant items)[(2)]	65,668	77,609	73,811
Depreciation and amortisation	(41,283)	(48,241)	(44,317)
EBIT (before significant items)	24,385	29,368	29,494
Interest income	1,685	1,498	1,355
Interest expense	(316)	(199)	(889)
Operating profit before tax	25,754	30,667	29,960
Share of loss of associate	(1,708)	(825)	(736)
Significant items[(1)]	1,669	(1,069)	(22,029)
Profit before income tax	25,715	28,773	7,195
Income tax	(8,387)	(9,962)	n/a
Net profit after tax	17,328	18,811	n/a
Minority interest	117	199	n/a
Net profit after tax – MYOB members	17,445	19,010	n/a

Note:

1 Significant items comprise:

Solution 6 legacy items	738	(113)	-
Gain on sale of investment in UBS	2,485	-	-
Potential acquisition costs written off	(1,554)	-	-
Dosh asset impairment	-	(956)	-
Loss on sale of UK and European businesses	-	-	(17,281)
Write-down on investment in Net Return	-	-	(4,748)
	1,669	(1,069)	(22,029)

2 EBITDA is shown after gains and losses on disposal of non-current assets and foreign exchange movements.

n/a – not available.

[13] The FY08 forecast reflects actual performance for the 10 months ended 31 October 2008, together with management forecasts for November and December 2008.

71 The reported operating performance of MYOB includes the UK and European businesses which were sold in April / May 2008. Revenue and EBITDA attributable to the continuing operations of MYOB is set out below:

	2006 Actual $000	2007 Actual $000	2008 Forecast $000
Revenue			
As reported	182,258	205,638	191,673
Discontinued operations	(31,656)	(35,542)	(9,630)
Continuing businesses	150,602	170,096	182,043
EBITDA			
As reported	65,668	77,609	73,811
Discontinued operations	(10,641)	(10,543)	(1,990)
Continuing businesses	55,027	67,066	71,821
EBITDA margin	*36.5%*	*39.4%*	*39.5%*

72 Information impacting the operating performance of the continuing operations[14] of MYOB during the above periods is outlined below:

Year ended 31 December 2006

- The Australian Business Division delivered a strong financial performance, with revenue growth over 10% combined with a significant margin improvement.
- The professional partner network grew to over 12,000 partners with gains in bookkeepers, educational partners and third party developers.
- There was an increased focus on medium-sized businesses, as well as an expansion in the small business segment.
- A number of new products were successfully launched in the Australian Accountants Division.
- Reasonable growth was achieved in the New Zealand business (despite weaker economic conditions), assisted by a number of business acquisitions.
- The Asian Business Division continued its strategy of client acquisition and brand building, and consolidated its leading provider status in Hong Kong and Singapore and strong number two market position in Malaysia.
- Investment continued in the venture in China, including a new head office and network of 15 branch offices.

Year ended 31 December 2007

- Strong revenue growth and a focus on margins in both the Accountants Division and the Business Division underwrote an EBITDA growth in Australia of 21%.
- Factors contributing to the operating result included continued growth in the number of professional partners reselling products and providing related client services, and an expanded market share through the traditional retail sales channels.
- With the acquisition of the remaining minority interest in Exonet the focus on the mid-market sector began delivering strong growth.
- The New Zealand operations were consolidated following a number of recent acquisitions. Revenue growth of 13% was achieved.

[14] Excluding the UK and European operations which were sold in April / May 2008.

- In Asia (including China) there was a continued focus on investment, product launch and building the MYOB brand and business model.

Year ending 31 December 2008

- Solid EBITDA growth of over 7% has been driven by continued growth in the Accountants and Business Divisions, particularly in Australia.
- Results also reflect price increases across products in both the Accountants Division and Business Division, increased cross-selling and up-selling, as well as continued growth in new sales due to strong brand presence and reliable distribution channels.
- Results have also been supported by strong growth in recurring revenues from maintenance and cover plans in both the Accountants and Business Divisions.
- There has been a continued focus on margin improvement through a number of cost saving initiatives (focusing on improvements in implementation, upgrade paths, client usability, marketing, support and distribution).
- Additionally, the company implemented a number of reviews to its strategy, deciding to focus its attention on the Australian and New Zealand markets. The company sold its UK and European businesses and exited its China business, as well as re-negotiated its agreement with Acclivity.
- Growth in emerging businesses has continued, primarily Accountants Resourcing and Web Hosting.

FY09 outlook

- MYOB expects to experience continued growth in FY09, and is projecting EBITDA growth of not less than 10%. The major source of forecast revenue growth is in recurring revenue, a key driver of which in the Accountants Division in Australia and New Zealand is the full year impact of price increases, coupled with continued sales of new products. In the Business Division the outlook incorporates realisation of increases in maintenance plan prices which were implemented from 1 July 2008 and a conservative renewal rate for maintenance contracts. New unit growth is expected to continue in the mid-market business, although this growth is expected to be slower than for 2008. In addition, the full year effect of the web hosting acquisitions in 2008 is expected to have a positive impact.
- It is expected that EBITDA growth will come from further margin expansion and a particular focus on cost reduction across the business. Confidence in the earnings forecast is increased by actions taken in 2008 to change some fixed costs into variable costs which can be held back if revenue growth is softer than expected.

Financial position

73 The financial position of MYOB as at 31 December 2007 and 30 June 2008 is set out below:

	31 Dec 2007[1] $000	30 Jun 2008 $000
Current assets		
Cash and cash equivalents	28,128	20,713
Trade and other receivables	17,320	20,298
Inventories	1,243	890
Other current assets[2]	8,977	17,246
	55,668	59,147
Investment in associate[3]	7,420	2,672
Total current assets	63,088	61,819
Non-current assets		
Deferred income tax asset	16,601	27,739
Property, plant and equipment	15,421	14,334
Intangible assets	273,670	194,699
Total non-current assets	305,692	236,772
Total assets	368,780	298,591
Current liabilities		
Trade and other payables[2]	19,458	31,124
Unearned revenue	36,661	36,227
Lease liabilities	899	318
Income tax payable	3,092	27,265
Provisions	10,713	18,013[4]
Total current liabilities	70,823	112,947
Non-current liabilities		
Deferred income tax liabilities	22,993	20,282
Provisions	2,127	1,073
Total non-current liabilities	25,120	21,355
Total liabilities	95,943	134,302
Net assets	272,837	164,289

Note:

1 Includes MYOB UK and MYOB Ireland which were sold in April / May 2008.

2 Other current assets and trade and other payables include funds held on behalf of clients of M-Powered Services $11.3 million (December 2007 - $2.3 million).

3 Represents 44.5% interest in Net Return Pty Ltd, considered to be a non-core asset.

4 Includes provision in respect of UK closure costs $7.2 million payable in FY09 and beyond.

74 The reduction in net assets during the period to 30 June 2008 of $108 million reflects primarily:

(a) the distribution to shareholders on 9 May 2008 of $80 million, comprising a return of capital and special dividend

(b) a book loss (after tax) on the sale of the UK and European businesses of $28 million in April / May 2008.

Intangible assets

75 Intangible assets comprise:

	31 Dec 2007 $000	30 Jun 2008 $000
Product development costs	56,733	44,609
Internally generated software	18,596	20,647
Patents, trademarks and licences	2,264	1,823
Goodwill	175,698	113,798
Intellectual property	20,379	13,822
	273,670	194,699

76 Product development expenditure on an individual project is capitalised when its future recoverability can reasonably be regarded as assured. Costs are subsequently amortised over a three year period, on a straight line basis. MYOB has recently averaged an annual spend on product development of around 15% of revenues, which it is targeting to bring down. A comparison of recent expenditure and related amortisation is summarised below:

	Year to 31 December		
	2006 Actual $000	2007 Actual $000	2008 Forecast $000
Expenditure	35,211	32,373	32,500
Amortisation	21,585	29,049	26,900

Note:

Figures are as reported and therefore include (where applicable) a component attributable to the UK and European businesses subsequently sold.

77 Internally generated software relates primarily to expenditure incurred since FY06 on the development of a new client management platform. The project is scheduled for completion in FY09 and was undertaken to gain greater insight to and relationships with the significant client base of the company. MYOB believes the enhanced client data will give rise to an appreciable competitive advantage. Capitalised costs are being amortised over a five year period on a straight line basis.

78 The significant reduction in goodwill in FY08 reflects goodwill of approximately $66 million (substantially) realised on the sale of the UK and European businesses, offset by goodwill of $4 million arising on the acquisition of the Ilisys Web Hosting business. Subsequent to 30 June 2008 additional goodwill of approximately $8 million has arisen on the acquisition of the SmartyHost business.

Unearned revenue

79 Unearned revenue represents revenue received in respect of client support and maintenance contracts (which are generally of a 12 month duration) not yet recognised in the income statement. The advance payment structure inherent in these contracts enables MYOB to generate positive working capital on an annual basis.

Debt facilities

80 MYOB has arranged a term debt facility of $50 million and a working capital facility of $30 million with a leading Australian bank[15]. The facilities have an initial term of two years, which expires on 30 October 2010.

81 MYOB has accessed the term debt facility to (partially) fund the capital return of $50 million approved by shareholders at the 5 November 2008 extraordinary general meeting, which was paid on 19 November 2008. The balance of the facilities provides funding flexibility to MYOB in relation to potential acquisitions under consideration.

Taxation

82 The current income tax liability as at 30 June 2008 includes a liability of $10.4 million, representing capital gains tax payable on the sale of the UK and European businesses. The majority of this liability is payable in FY09.

83 On an ongoing basis MYOB receives the benefit of a permanent tax difference (deduction) associated with the research and development nature of certain expenditure incurred on product development. MYOB management estimate that over the medium / longer term, the tax benefit associated with this expenditure is likely to give rise to an annual effective tax rate 3% below the prevailing corporate rate of 30%.

Share capital

84 As at 25 November 2008 MYOB had 389,944,755 ordinary shares on issue.

85 In addition MYOB has 25,198,536 unquoted options on issue pursuant to the company's executive option plan, which includes 10.1 million options exercisable at a zero option price. These options expire at various dates in the period March 2009 to September 2013 and are exercisable at prices (where applicable) ranging from 15.12 cents per share to $3.3112 per share (after adjusting the exercise prices for the FY08 capital returns). In respect of the zero exercise price options MYOB is required to make a cash payment upon their exercise of 30.88 cents per option to the holders (reflecting capital returns made by MYOB).

86 All options vest on a change in control of the company with the exception of 8.15 million options issued from 11 July 2008 onwards, in respect of which only one-third of the issued options vest in the first 12 months following issue.

Substantial shareholders

87 As at 15 October 2008 the top 10 shareholders in MYOB held 76.4% of the issued capital. The substantial shareholders in MYOB (being those holding interests of more than 5%) as at that date were:

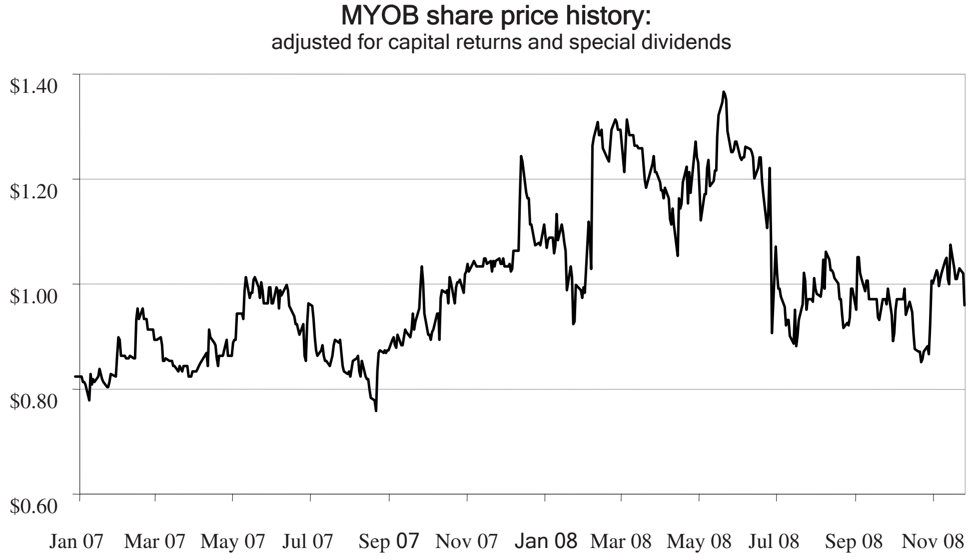
	Relevant interest %
Craig Winker and his associated entities	28.20
Guinness Peat Group	13.47
Commonwealth Bank (Institutional Group)	9.78
Schroder Investment Management (Australia) Ltd	9.24

Share price performance

88 As noted above MYOB has made two returns of capital and paid one special dividend in FY08. In April 2008 shareholders received 20.79 cents per share comprising an 18.03 cent capital return and a 2.76 cent special dividend. Shares traded without entitlement to the capital return and special dividend from 28 April 2008. In November 2008 shareholders received a 12.85 cent per share capital return. Shares traded without entitlement to the capital return from 6 November 2008.

89 The following graph illustrates the movement in MYOB's share price from 1 January 2007 to 25 November 2008, adjusted for the above capital returns and special dividend:

[15] In addition MYOB has a $5.0 million guarantee facility.



Source: Weblink and company announcements.

90 We note the following in respect of MYOB's recent share price movements:

(a) in the period July to September 2007 the share price declined reflecting a general decline in the market, as evidenced by the 10% drop in the S&P/ASX 300 Index during this period

(b) on 12 December 2007, MYOB announced a likely year end result of $77 million (EBITDA), up from previous guidance and 20% above the 2006 result

(c) on 7 February 2008, MYOB announced the Board had rejected an indicative and highly-conditional approach which may have resulted in a bid of $1.90 cash per share[16]

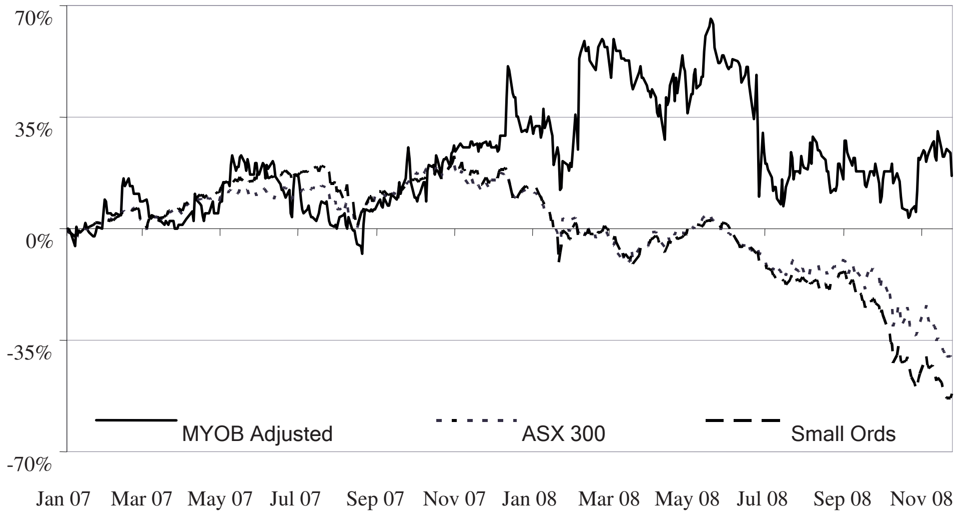
(d) in April 2008 MYOB announced the sale of its UK and European businesses

(e) in the period since June 2008 the MYOB share price has declined reflecting global declines in share markets in this period.

91 A comparison of MYOB's share price with both the S&P/ASX 300 and S&P/ASX Small Ordinaries Index since 1 January 2007 indicates that MYOB has outperformed both indices, particularly in the period subsequent to the commencement of the declines in global stock markets generally.

Relative performance: MYOB share price, ASX 300, ASX Small Ordinaries

1 Jan 2007 = zero, MYOB prices are adjusted for capital returns and special dividends



Source: Weblink.

[16] After adjusting for subsequent capital returns and special dividends the indicated bid price of $1.90 per share reduces to $1.56 per share.

IV Valuation approach

Valuation methodologies

92 ASIC Regulatory Guide 111 "Content of Expert Reports" outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

(a) the discounted cash flow (DCF) methodology

(b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets

(c) the amount that would be available for distribution to shareholders in an orderly realisation of assets

(d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis

(e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

DCF methodology

93 The DCF method is the superior valuation methodology because:

(a) value is the net present value (NPV) of future cash flows (ie future year's cash flows, net of outgoings, expressed in terms of today's dollars)

(b) the DCF methodology is technically superior as it separately assesses key factors such as growth and risk rather than trying to capture them in a single factor (ie the capitalisation multiple).

94 Under the DCF methodology the value of the business is equal to the NPV of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

Capitalisation of earnings methodology

95 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future "maintainable" earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.

96 Capitalisation multiples can be applied to either estimates of operating cash flow, EBITDA, EBIT[17] or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

Asset based methodology

97 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. This approach is generally used in either of the following circumstances:

(a) where an entity or business is no longer expected to remain a going concern, eg where the owners can generate more from the orderly realisation of the assets and satisfaction of liabilities than by continuing to conduct the business as a going concern

(b) where asset values are of prime importance to an entity and are marketable in their own right, eg passive stock market or property investments (such as holding companies) where there are no material disadvantages in acquiring an interest in the entity.

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[17] EBITA is often used where a company is amortising significant acquired intangibles which do not impact on the future cash flows of the business.

98 Normally, net asset value is determined on the basis of the orderly realisation value of the net assets adjusted for the time, cost and taxation consequences of realising those assets. In the case of passive investment companies an allowance for any deferred tax liabilities should be made.

Methodology selected

99 We have assessed the fair market value of MYOB by determining the market value of the businesses, together with the realisable value of any surplus assets and deducting net borrowings and other residual liabilities.

100 The valuations of the businesses have been made on the basis of market value as a going concern. We have adopted the capitalisation of EBITDA method as our principal valuation methodology. Under this methodology the values of the businesses are represented by their core underlying EBITDA capitalised at a rate (or EBITDA multiple) reflecting the risk inherent in those earnings.

101 We have then cross-checked the valuation using the capitalisation of profit after tax method.

102 Other assets have been valued based on the estimated net realisable value of each of the assets.

V Valuation of 100% of MYOB

Methodology

103 As set out in Section IV the primary valuation methodology used to value MYOB's established business operations is the capitalisation of the underlying EBITDA method. This requires consideration of the following factors:

(a) the selection of an appropriate level of underlying EBITDA[18] having regard to the historical and forecast operating results after adjusting for non-recurring items of income and expenditure and any other known factors likely to affect the future operating performance of the business

(b) the determination of an appropriate capitalisation multiple having regard to (inter alia) the extent and nature of competition in the industry, quality of earnings, future growth opportunities, asset backing and relative investment risk.

Underlying EBITDA

Historical and forecast results

104 MYOB's historical operating performance for the two years ended 31 December 2007, as well as management's forecast for the year ending 31 December 2008 is set out in Section III. This operating performance includes the UK and European businesses of MYOB which were sold in April / May 2008. A summary of the operating performance as it relates to the continuing operations of MYOB is set out below:

Financial performance – continuing operations	2006 Actual $000	2007 Actual $000	2008[(1)] Forecast $000
Sales	150,602	170,096	182,043
EBITDA	55,027	67,066	71,821
EBITDA margin	*36.5%*	*39.4%*	*39.5%*

Note:

1 The FY08 forecast reflects actual performance for the 10 months ended 31 October 2008, together with management forecasts for November and December 2008.

105 As noted in Section III MYOB initially accounts for product development expenditure by capitalising annual costs incurred, which are then amortised[19] over a three year period. Whilst we understand the accounting treatment adopted by MYOB is consistent with accounting standards, for valuation purposes we have had regard to the actual expenditure incurred, which we have adjusted against reported EBITDA.

106 MYOB has recently announced planned operational changes, the implementation of which is estimated to give rise to annualised cost savings of approximately $6.0 million. The key proposed changes are:

(a) the revised arrangements with Acclivity regarding the costs of ongoing product development in the US

(b) the restructure of the Asian operations, in particular the closure of the existing group offices in mainland China.

107 In considering the maintainable level of underlying EBITDA we have also had regard to:

(a) the losses incurred to date in establishing the Accountants Resourcing business

(b) the costs incurred in FY08 in integrating the recently acquired web hosting businesses.

[18] Representing EBITDA less actual product development expenditure.
[19] The related amortisation charge is disclosed below the EBITDA line.

108 In assessing the enterprise value of the established business operations[20] we have adjusted (added back) the above costs incurred, and have separately considered the value of the Accountants Resourcing and Web Hosting business units in arriving at a value of 100% of the equity in MYOB (as set out below).

109 We set out below the reported EBITDA of MYOB adjusted in respect of the matters discussed:

	2006 Actual $000	2007 Actual $000	2008 Forecast $000
Reported EBITDA	55,027	67,066	71,821
Actual product development expenditure	(27,048)	(25,065)	(27,575)
	27,979	42,001	44,246
Revised arrangements with Acclivity	1,058	904	866
Restructure of Asian operations	6,183	6,173	5,166
Accountants Resourcing losses	247	1,457	1,791
Web Hosting integration costs	-	-	1,218
Adjusted EBITDA	35,467	50,535	53,287

110 In assessing the maintainable underlying EBITDA of the established business operations of MYOB we have also had regard to initial management guidance for FY09, together with the implied assumptions on which this guidance is based. However, given the prevailing levels of economic uncertainty in the shorter term, for valuation purposes we have had greater regard to the latest forecast results for FY08.

111 Having regard to the above, in our opinion, it is appropriate for valuation purposes to adopt EBITDA of $53 million.

EBITDA multiple

112 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

(a) the stability and quality of earnings

(b) the quality of the management and the likely continuity of management

(c) the nature and size of the business

(d) the spread and financial standing of customers

(e) the financial structure of the company and gearing level

(f) the multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors (Appendix C)

(g) the multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors

(h) the future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc

(i) the cyclical nature of the industry

(j) expected changes in interest rates

(k) the asset backing of the underlying business of the company and the quality of the assets the extent to which a premium for control is appropriate

(l) whether the assessment is consistent with historical and prospective earnings.

[20] The Accountants Division and the Business Division.

Review of listed company multiples

113 We set out in Appendix C the multiples of listed companies involved in the software industry both in Australia and internationally. The listed multiples of those companies considered more comparable to MYOB are summarised below:

Listed software company multiples	FY08 Balance date	FY08 EBITDA multiples
Australia		
IBA Health Group Ltd	June	7.5
IRESS Market Technology Ltd	December	7.0
Reckon Ltd	December	6.9
Technology One Ltd	September	8.8
International		
Intuit Inc	July	8.0
Sage Group plc	September	8.4
Simple average		7.8

Note:

Given the prevailing level of economic uncertainty we have had greater regard to historic rather than forecast earnings.

114 With respect to the listed company multiples it should be noted that:

(a) the multiples are based on each company's listed market price and therefore generally exclude a premium for control[21]

(b) not all the listed companies have comparable operations to MYOB

(c) of the listed companies that have similar operations to those of MYOB, the overseas companies are significantly larger and have more diverse operations. Further the international companies operate in different markets

(d) Intuit operates a comparable business to MYOB, but is significantly larger with a higher market share in a larger market

(e) Sage also operates a comparable business to MYOB, with a similar strong market position and customer base. It is more diversified in revenues by both geography and product offering

(f) Reckon is the most comparable Australian listed company. However:

(i) it holds a significantly smaller market share

(ii) it does not own the intellectual property in relation to the majority of its revenue (the relevant software is licensed from Intuit under an exclusive but non-perpetual distribution agreement)[22]

(g) Technology One operates in a more competitive environment and is reliant on a smaller number of high value contracts. It has a significantly higher component of service revenues, reflecting the need to customise and implement its software solutions.

[21] Based on empirical research undertaken by LEA the average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares three months prior to the announcement of the bid.

[22] The contract is for a 10 year period on a rolling basis.

MYOB trading multiples

115 We have also had regard to the EBITDA multiples implied from recent share market trading in MYOB shares. The following multiples have been calculated based on the closing price of MYOB shares[23] at the relevant reporting dates:

	FY06	HY07	FY07	HY08
Historic EBITDA multiple	13.9	12.6	11.7	9.5

Note

EBITDA was calculated after allowance for actual product development expenditure.

116 In relation to the above historic multiples we note:

(a) they are based on share market trading in MYOB and therefore reflect a portfolio rather than controlling interest in the company (refer paragraph 114(a))

(b) the multiples reflect a downward trend, which is likely to have continued subsequent to June 2008 (prior to the announcement of the Offer on 30 October 2008) due to further falls in world equity markets

(c) the EBITDA on which the multiples are based includes losses incurred in relation to the establishment of operations in China and the Accountants Resourcing business unit (which has had the effect of increasing the multiples)

(d) notwithstanding the above the multiples are relatively high, which broking analysts have suggested is justified and attributable to factors including:

(i) the defensive nature of the MYOB business

(ii) the strong recurring nature of the majority of the revenues

(iii) the established market position held

(iv) the significant ongoing investment in product development.

Transaction evidence

117 There is limited recent transaction evidence in the software sector in which MYOB operates. We note that in April / May 2008 MYOB sold its UK and European businesses at a price that reflected a (reported) multiple of 14.8 times historical EBITDA, although UK share market indices have fallen significantly since completion of this transaction.

118 We also note that both Intuit and Sage have made a number of acquisitions in the last two to three years in their respective markets, largely of a "bolt-on" nature. Based on reported transaction data and relevant business earnings these acquisitions were undertaken at between 10.7 and 26.1 times historical EBITDA. The transactions include a significant acquisition by Intuit of Digital Insight Corp in November 2006 at a cost of US$1.33 billion. This transaction represented a strategic entry by Intuit into the provision of online banking services and was undertaken at a multiple of 20.6 times historical EBITDA.

119 We note that these relatively high transaction multiples are broadly consistent with observed EBITDA transaction multiples in the software sector generally. However, since the date of these transactions stock market values have fallen significantly.

[23] We note MYOB has historically followed a practice of providing market guidance / update of its operating performance in advance of the respective reporting periods. Furthermore, an analysis of relevant share market trading in MYOB indicates the closing prices were reasonably representative of trading in MYOB shares in the respective periods.

Conclusion on EBITDA multiple

120 Having regard to the factors discussed above we consider an EBITDA multiple of 9.5 to 10.5 is appropriate when valuing a 100% interest in the established continuing business operations of MYOB. This range includes a premium for control and reflects in particular:

(a) the established nature of the business operations and associated strong market position held

(b) the recurring nature of the majority of the revenue streams and the structure of the associated maintenance contracts which generate a strong positive working capital cash flow

(c) the scope for continued growth associated with the significant level of investment in product development

(d) to a lesser extent, the related tax benefits that arise from product development expenditure incurred.

Emerging businesses

121 As noted above, we have separately considered the value of the Accountants Resourcing and Web Hosting business units in arriving at a value of 100% of the equity in MYOB.

Accountants Resourcing

122 In assessing the value of the Accountants Resourcing business unit we have had regard to the following:

(a) since establishment of the business unit in FY06 revenues have (at least) doubled each year to around $1.8 million

(b) based on an increasing rate of repeat business, management anticipate this revenue trend will be maintained in FY09

(c) MYOB has continued to invest in the business to achieve a greater scale in the medium / longer term

(d) based on current growth projections the business is expected to be profitable (at the EBITDA level) in FY10.

123 Based on the above we have assessed the value of the Accountants Resourcing business in the range of $4.0 million to $5.0 million (broadly equivalent to the net investment in the business to date).

Web Hosting

124 In assessing the value of the Web Hosting business unit we have had regard to:

(a) the combined acquisition cost of $11.0 million of the Ilisys and Smarty Host businesses

(b) the subsequent integration costs of around $1.0 million incurred in migrating customers to a single, scalable platform

(c) the opportunities for the business going forward and the market position that MYOB has established.

125 Based on the above, we have assessed the value of the Web Hosting business in the range of $11.0 million to $12.0 million (effectively equivalent to the investment cost to date).

Net debt

126 As at 31 October 2008 MYOB had a net cash position of $20.0 million.

127 As noted above the company has subsequently financed the capital return of $50 million paid on 19 November 2008 by way of a draw-down on a debt facility established for that purpose.

128 For valuation purposes we have therefore adopted net debt for MYOB of $30.0 million.

Other liabilities

129 As noted in Section III MYOB has outstanding closure costs of $7.2 million and a tax liability of $10.4 million in relation to the sale of its UK and European businesses. We have adjusted for the total liability of $17.6 million in assessing the value of a 100% interest in the equity in MYOB.

130 We have also allowed for the cash costs of $3.3 million[24] to be incurred associated with the business restructuring announced on 26 November 2008.

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[24] Restructuring costs of $0.7 million have already been incurred.

Fully diluted shares on issue

131 MYOB has 25.2 million unquoted options on issue (pursuant to the company's executive option plan) which expire at various dates in the period March 2009 to September 2013 and are exercisable at prices (where applicable) ranging from 15.12 cents per share to $3.3112 per share (after adjusting the exercise prices for the FY08 capital returns).

132 We have had regard to the vesting entitlement of these options on a change in control of the company, together with the extent to which the options are "in the money" based on our assessed value of the equity in MYOB. We have also deducted from the option exercise monies receivable the cash payment of 30.88 cents per option payable to zero exercise price option holders upon exercise as a result of capital returns made by MYOB.

133 Having regard to the above, for valuation purposes we have adopted fully diluted shares on issue of 408.7 million, which comprises:

	Million
Ordinary shares currently on issue	389.94
Options to be issued	18.76
Fully diluted shares on issue	408.70

Value of MYOB

134 Based on the above, in our opinion, the value of the shares in MYOB on a 100% controlling interest basis is as follows:

	Low $m	High $m
Value of Accountants Division and Business Division[1]	503.5	556.5
Emerging businesses:		
Accountants Resourcing	4.0	5.0
Web Hosting	11.0	12.0
Enterprise value	518.5	573.5
Less net debt	(30.0)	(30.0)
Less UK residual liabilities	(17.6)	(17.6)
Less restructuring costs	(3.3)	(3.3)
Investment in Net Return[2]	2.5	2.5
Add option exercise monies	4.0	4.0
Value of 100% of MYOB equity	474.1	529.1
Fully diluted shares on issue	408.7	408.7
Value per share	$1.16	$1.29

Note:

1 Being $53m multiplied by 9.5 to 10.5.
2 Based on expected sale proceeds.

VI Evaluation of the Offer

Summary of opinion

135 LEA has concluded that the Offer is neither fair nor reasonable.

136 We have formed this opinion for the following reasons.

Assessment of fairness

137 Pursuant to ASIC Regulatory Guide 111 an offer is "fair" if:

"The value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer."

138 This comparison is shown below:

	Low $ per share	High $ per share	Mid-point $ per share
Value of Offer consideration[1]	1.1215	1.1215	1.1215
Value of 100% of ordinary shares in MYOB	1.16	1.29	1.225
Extent to which the Offer consideration exceeds (or is less than) the value of the ordinary shares in MYOB	(0.0385)	(0.1685)	(0.1035)

Note:

1 For comparison purposes we have assessed the value of 100% of the equity in MYOB and have adopted the comparative (higher) Offer consideration of $1.1215 per share.

139 As the consideration offered is less than our assessed value of 100% of the shares in MYOB, in our opinion, the Offer is not fair.

Assessment of reasonableness

140 Pursuant to ASIC Regulatory Guide 111, an offer may be reasonable if, despite not being fair but after considering other significant factors, shareholders should accept the offer in the absence of a higher bid before the close of the offer.

141 In assessing whether the Offer is reasonable LEA has also considered:

(a) the extent to which a control premium is being paid to MYOB shareholders (measured based on the listed market price of MYOB shares prior to the announcement of the Offer)

(b) the value of MYOB to an alternative offeror and the likelihood of an alternative offer emerging, either prior to the close of the Offer or sometime in the future

(c) the listed market price of MYOB shares:

(i) prior to and subsequent to the announcement of the Manhattan Software takeover offer

(ii) if the takeover offer is not successful

(iii) if the minimum acceptance condition of more than 50% is met and Manhattan Software fails to acquire 100% control

(d) other risks, advantages and disadvantages associated with the Offer which are relevant to MYOB shareholders.

142 These issues are discussed in detail below.

Extent to which a control premium is being paid

143 Empirical evidence indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). This premium reflects the fact that:

(a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder

(b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds

(c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company

(d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

144 We have calculated the premium implied by the Offer by reference to the market prices of MYOB shares prior to the announcement by Manhattan Software on 30 October 2008 of its intention to make a conditional off-market takeover offer for all the shares in MYOB. We note that during this period broking analysts no longer considered the MYOB share price to be influenced by any takeover speculation:

Implied offer premium relative to recent share prices

	MYOB share price[1] $	Implied control premium[2] %
29 October 2008[3]	0.9215	21.7
Closing price 1 month prior (29 September 2008)	0.9415	19.1
Closing price 3 months prior (29 July 2008)	0.9665	16.0
1-month VWAP[4]	0.9229	21.5
3-month VWAP	0.9581	17.1

Note:

1 MYOB share prices have been adjusted to reflect the capital return of 12.85 cents per share approved by MYOB shareholders at the extraordinary general meeting on 5 November 2008. MYOB shares traded ex this entitlement from 6 November 2008.

2 Based on the Offer consideration for a 100% interest of $1.1215 per MYOB share.

3 Being the closing price on the last day of trading prior to the announcement of Manhattan Software's intention to make an offer.

4 VWAP – volume weighted average price.

145 As indicated above the Offer consideration represents a premium to the market price of MYOB shares prior to the announcement of the Offer. However, the premium is less than the average premium paid in successful takeovers generally. Consequently, in our opinion, the Offer does not provide MYOB shareholders with a sufficient premium for control.

Recent share prices subsequent to the Offer

146 Subsequent to the announcement on 30 October 2008 by Manhattan Software of its intention to make a takeover offer, and the shareholders meeting on 5 November 2008 which approved the capital return, shares in MYOB have traded in a range between $0.93 and $1.10 per share (generally towards the middle of this range).

147 During the Offer period there has been a further significant decline in share markets both in Australia and overseas, as evidenced by a fall of around 11% in the S&P / ASX 300 Index since the end of October 2008 to 25 November 2008.

148 It is reasonable to assume that in the absence of the Offer the ASX market price of MYOB shares would have declined, although, as noted in Section III, shares in MYOB have traded at a significant premium to both the S&P / ASX Small Ordinaries Index and the S&P / ASX 300 Index throughout 2008.

Likelihood of an alternative offer

149 As set out in the ASX announcement of 7 November 2008 (and reiterated in a subsequent letter to shareholders dated 14 November 2008) MYOB has advised that:

"It is in preliminary discussions with parties interested in presenting alternative proposals regarding a possible change in control of the company. These could lead to a more favourable offer to shareholders than the opportunistic takeover offer recently announced by Manhattan Software. There can, however, be no assurance of any alternative proposal being made to shareholders."

150 We have been advised that at the date of our report these discussions are continuing.

151 We also note that at the time of announcement of the takeover offer, Manhattan Software stated that a number of institutional MYOB shareholders representing around 34% of the issued share capital of MYOB had indicated an intention to accept the Manhattan Software offer for all their MYOB shares as soon as the offer opened.

152 Following a decision of the Takeovers Panel (the Panel) dated 26 November 2008 these shareholders:

"… cannot accept Manhattan Software's bid before 9 December 2008 and must accept a superior proposal if it is announced before that date, in the absence of a further superior proposal. If the shareholders have already lodged an acceptance into an institutional acceptance facility, it must be withdrawn."

153 The Panel considered that the circumstances of Manhattan Software approaching the shareholders and their unqualified intention statements to accept the offer as soon as it opened:

(a) inhibited an efficient, competitive and informed market in MYOB shares; and

(b) affected control or potential control of MYOB or the acquisition of a substantial interest in MYOB

which gave rise to unacceptable circumstances.

154 The possibility of the earlier advised "acceptances" acting as a potential deterrent to other interested parties therefore has prima facie been reduced. Nonetheless, in the absence of a higher offer, it is likely that these institutional shareholders will accept the Manhattan Software offer.

Likely price of MYOB shares if the Offer lapses

155 In our opinion, if the Offer lapses and no higher offer or alternative proposal emerges, it is likely that (at least in the short-term) MYOB shares will trade at a significant discount to our assessed value of MYOB shares (consistent with the difference between the value of MYOB shares on a portfolio basis and their value on a 100% controlling interest basis) and the Offer consideration.

156 Given current market conditions and the uncertain outlook for the global economy and equity markets generally, the MYOB share price could fall significantly below the Offer consideration if the Offer is not accepted.

Manhattan Software acquires at least 50.1% but less than 90% of MYOB

157 MYOB shareholders should note that the Offer is currently conditional on Manhattan Software acquiring at least 50.1% of MYOB shares. Should Manhattan Software acquire 50.1% but less than 90% of MYOB, Manhattan Software will control MYOB[25] including its day-to-day management, strategic direction and level of dividend payments. Should this occur the liquidity of MYOB shares may be diminished, which may result in a fall in the price of MYOB shares (other things being equal).

158 In this regard, as noted above:

(a) institutional shareholders representing around 34% of the issued share capital of MYOB have indicated an intention to accept the Offer (the majority of indicated acceptances are at the base offer price of $1.0215 per share)

(b) interests associated with the Board of MYOB hold approximately 29% of MYOB shares and based on company announcements to date, have been unreceptive to the Offer.

[25] In our opinion, the Offer in its current form does not offer MYOB shareholders a full premium for control.

Offer consideration

159 Furthermore, in assessing the reasonableness of the Offer we note that the higher Offer price of $1.1215 per share is:

(a) 8.4% below the mid-point of $1.225 per share of our assessed value of MYOB

(b) 3.3% below the low range of $1.16 per share of our assessed value of MYOB.

160 As noted above the availability of the higher Offer of $1.1215 per share is conditional on:

(a) Manhattan Software becoming entitled to proceed to compulsory acquisition of MYOB

(b) certain Manhattan Software debt financing conditions being satisfied or waived.

161 As noted above, interests associated with the Board of MYOB hold approximately 29% of MYOB shares. In the event they decide not to accept the Offer, one of these conditions will not be met. Accordingly, in these circumstances, the Offer consideration is $1.0215 per share, which is:

(a) 16.6% below the mid-point of $1.225 per share of our assessed value of MYOB

(b) 11.9% below the low range of $1.16 per share of our assessed value of MYOB.

Conclusion

162 Based upon the above we have concluded that the Offer is neither fair nor reasonable.

Other matters

163 The taxation consequences of accepting the Offer depend on the individual circumstances of each investor. Shareholders should read the taxation advice set out at Section 6 of the Bidder's Statement and Target Statement and should consult their own professional adviser if in doubt as to the taxation consequences of the Offer.

164 The ultimate decision whether to accept the Offer should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. Shareholders considering their response to the Offer should be aware that our assessed value of MYOB shares has been determined having regard to their medium / longer term prospects. Given the current market conditions individual shareholders may have a different time horizon.

165 If shareholders are in doubt about the action they should take in relation to the Offer or matters dealt with in this report, shareholders should seek independent professional advice.

LONERGAN EDWARDS & ASSOCIATES LIMITED

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (LEA) (ABN53 095 445 560) is a specialist valuation firm which provides valuation advice, valuation reports and Independent Expert's Reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No 246532.

Financial Services Guide

3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Target Statement to be sent to MYOB shareholders in connection with the Offer.

4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER our fees are based on a time cost basis using agreed hourly rates.

9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.

13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOSL), an external complaints resolution service. You will not be charged for using the FOSL service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 27

363 George Street

Sydney NSW 2000

(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 100 Independent Expert's Reports.

2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 15 years and 20 years experience respectively in the provision of valuation advice.

Declarations

3 This report has been prepared at the request of the Directors of MYOB to accompany the Target Statement to be sent to MYOB shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Offer is fair and reasonable to the shareholders of MYOB.

Interests

4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Offer. LEA is entitled to receive a fee for the preparation of this report based on time expended at our standard hourly professional rates. With the exception of the above fee, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

Indemnification

5 As a condition of LEA's agreement to prepare this report, MYOB agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of MYOB which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

6 LEA consents to the inclusion of this report in the form and context in which it is included in MYOB's Target Statement.

Appendix C

Comparable company trading multiples

1 The earnings multiples of listed companies involved in similar activities or exposed to the same broad industry sectors as MYOB, as well as a brief description of these companies is set out below:

	Enterprise value A$m	Balance date	EBITDA multiples FY08	FY09[(1)]	FY10[(1)]
Australian software companies					
IBA Health Group Ltd	726.3	30-Jun	7.5	5.9	5.7
IRESS Market Technology Ltd	454.8	31-Dec	7.0	6.6	6.1
Technology One Ltd	200.6	30-Sep	8.8	7.1	6.3
Reckon Ltd	107.6	31-Dec	6.9[(1)]	6.1	5.5
Bravura Solutions Ltd	74.0	30-Jun	4.5	2.9	2.4
Other Australian IT companies					
UXC Ltd	169.3	30-Jun	3.6	3.1	2.7
Oakton Ltd	163.7	30-Jun	4.0	3.8	3.5
SMS Mgt & Technology Ltd	99.3	30-Jun	2.7	2.5	2.3
International software companies					
Oracle Corporation	126,200.1	31-May	8.8	6.9	6.4
SAP AG	62,947.0	31-Dec	9.4[(1)]	8.3	7.4
Intuit Inc	10,613.5	31-Jul	8.0	6.7	5.9
Sage Group plc	6,235.0	30-Sep	8.4[(1)]	8.1	7.5
Temenos Group AG	1,764.5	31-Dec	9.6[(1)]	7.8	6.9
Lawson Software Inc	777.6	31-May	5.2	4.6	3.9
Epicor Software Corp	723.0	31-Dec	5.6[(1)]	5.1	5.2
Exact Holdings NV	540.6	31-Dec	4.7[(1)]	5.0	5.0
JDA Software Group Inc	537.9	31-Dec	3.7[(1)]	3.3	n/a
QAD Inc	178.7	31-Jul	8.1	4.9	4.0
Industrial and Financial Systems IFS AB	166.8	31-Dec	4.8[(1)]	4.8	4.4

Note:

1 Forecast multiples.

2 Where appropriate we have deducted capitalised software development costs in determining EBITDA.

n/a – not available.

Australian software companies

IBA Health Group Limited

2 IBA is a provider of healthcare information systems and e-health services to hospitals, community and primary care organisations. IBA has over 500 hospital and clinic installations worldwide. In 2007 IBA acquired iSoft which designs and delivers total healthcare information technology (IT) platforms and applications that address the administrative, clinical and connectivity needs of healthcare organisations.

Appendix C

IRESS Market Technology Limited

3 IRESS is a supplier of share market, trading and wealth management IT systems in Australia, New Zealand, Canada and South Africa. Its primary service is the provision of real-time data, analytics and news which are used by private and professional traders, institutional clients, fund managers, research departments and financial planners.

Technology One Limited

4 Technology One specialises in enterprise business solutions. Products include financials, HR and payroll, supply chain and business intelligence. Technology One also offers custom software development services for large scale, purpose built applications and implementation services, including data conversion, account management and project management.

Reckon Limited

5 Reckon develops and distributes accounting software products in Australia, New Zealand and the UK. Reckon's Professional division provides taxation, business process automation software tools and online company registration services to unit and family trust organisations. Its Business division markets the QuickBooks and Quicken brands, which are operated under a distribution agreement licensed from Intuit Inc.

Bravura Solutions Limited

6 Bravura Solutions is a supplier of software and related services to superannuation and pension, wealth management and life insurance industries. It provides software and support to more than 180 financial institutions globally with over A$1.1 trillion in funds administered on Bravura Solutions software.

Other Australian IT companies

UXC Limited

7 UXC provides IT services in the areas of asset management, inspection and environmental services. The company also offers other services such as consulting, data management, utility maintenance, investments and risk management.

Oakton Limited

8 Oakton is positioned in the higher-value integration services sector and provides specialist IT services to plan, deliver and operate business systems. It also provides IT related financial management, assurance and business services such as application architecture and design consulting.

SMS Management & Technology Limited

9 SMS Management and Technology provides consulting, resourcing and technology services. Its core consulting business has four practices: Business Performance Improvement, Technology Alignment, Organisation Mobilisation, and Project Delivery. It also offers custom software development, system integration, and IT recruitment services.

International software companies

Oracle Corporation

10 Oracle is one of the largest enterprise software firms globally, providing database and middleware software. Oracle is organised into two businesses: software (new software licenses, and software license updates and product support) and services (consulting, On Demand and education). The software business represented 80% of its total revenues in FY2008.

SAP AG

11 SAP is a global developer and licenser of software solutions. SAP's enterprise application software solutions enable companies to manage customer relationships, supply chains and business operations. SAP also sells support, consulting, training and other services associated with its software products. The company has more than 76,000 customers in over 120 countries.

Intuit Inc.

12 Intuit provides business accounting and financial management software for individuals, small to medium enterprises, financial institutions and accounting professionals. Intuit has six business segments: QuickBooks, Payroll and Payments, Consumer Tax, Accounting Professionals, Financial Institutions and Other Businesses. Its flagship products include Quicken, QuickBooks and TurboTax, which it also distributes to third parties around the world.

Appendix C

Sage Group plc

13 Sage Group provides business software and services that automate business processes for small and medium sized businesses. The company's products cover accounting, payroll, customer relationship management, job costing, human resources, business intelligence, taxation and E-business. Sage also offers tailored software for specific industries, such as healthcare, construction, real estate, manufacturing and retail.

Temenos Group AG

14 Temenos Group AG is a Switzerland-based provider of integrated modular core banking systems to financial institutions worldwide. The company's software covers financial functions such as deposit-taking, lending and Internet banking, and provides banks with an overview of the clients across the enterprise, enabling them to maximize returns while streamlining costs.

Lawson Software, Inc.

15 Lawson Software is a global provider of enterprise software and related services and maintenance. It specialises in specific sectors including healthcare, public services, retail, financial services, food and beverage, and wholesale distribution, and provides software in 35 languages to more than 4,500 customers.

Epicor Software Corporation

16 Epicor provides integrated enterprise resource planning, customer relationship management, supply chain management and professional service automation software solutions to mid to large companies. Epicor also provides industry-specific solutions to the manufacturing, distribution, services and retail and hospitality industries.

Exact Holdings N.V.

17 Exact Holdings is a Netherlands-based business software provider for enterprise resource planning, human resource management, customer relationship management, corporate performance management and project management workflow to SMEs. Exact has offices in more than 40 countries.

JDA Software Group Inc.

18 JDA provides supply and demand management software solutions for the retail industry and their suppliers. JDA's solutions encompass merchandise operations systems (managing inventory, product mix and pricing), in-store systems (point-of-sale and back office applications and operational information) and transportation and logistics management solutions.

QAD Inc.

19 QAD provides enterprise software applications, professional services and application support for manufacturing companies. Its software solutions include customer management, manufacturing, supply chain solutions, enterprise asset management, analytics, transportation management and strategic consulting and other services. In 2008 QAD software was licensed at 6,100 sites in over 90 countries.

Industrial and Financial Systems IFS AB

20 Swedish-based IFS is a provider of component-based business software developed using open standards, allowing integration of its IFS Applications software with other software. IFS operates in two areas: lifecycle management and mid-market enterprise resource planning (which covers distribution and manufacturing in midsize companies).

Appendix D

Glossary

Abbreviation	Definition
AIFRS	Australian equivalents to International Financial Reporting Standards
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Commission
Corporations Act	Corporations Act 2001
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
FOSL	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
IER	Independent expert’s report
IT	Information technology
LEA	Lonergan Edwards & Associates Limited
Manhattan Software	Manhattan Software Bidco Pty Ltd
MYOB	MYOB Limited
NPV	Net present value
Offer	The offer by Manhattan Software to acquire all the ordinary shares in MYOB
Panel	Takeovers Panel
SME	Small to medium enterprise

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CORPORATE DIRECTORY
ACN 086 760 303

DIRECTORS
Mr Simon McKeon (Chairman)
Mr Tim Reed (Managing Director)
Mr Craig Winkler (Executive Director)
Mr Simon Martin (Executive Director)
Mr John Stewart (Non Executive Director)
Mr Christopher Williams (Non Executive Director)
Mr Colin Henson (Non Executive Director)

COMPANY SECRETARY
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Target's Statement

In response to the off-market takeover bid made by Manhattan Software Bidco Pty Limited

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