

**Australian Securities & Investments Commission**

Electronic Lodgement  
Document No. **7E5991876**  
Lodgement date/time: 17-04-2014 11:17:22  
Reference Id: 88956850

**Form 388**  
Corporations Act 2001  
**294, 295, 298-300, 307, 308, 319, 321, 322**  
Corporations Regulations  
**1.0.08**

# Copy of financial statements and reports

## Company details

Company name

**MYOB GROUP PTY LIMITED**

ACN

**153 094 958**

## Lodgement details

Registered agent number

**8611**

Registered agent name

**ADDISONS ACCOUNTANTS**

## Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

**Dates on which financial year ends**

Financial year end date

**31-12-2013**

## Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?

**246551000**

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

**1389569000**

How many employees are employed by the large proprietary company and the entities that it controls?

**1081**

How many members does the large proprietary company have?

**55**

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MYOB GROUP PTY LIMITED ACN 153 094 958

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### Auditor's report

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Were the financial statements audited?

**Yes**

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

**No**

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

**No**

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### Details of current auditor or auditors

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#### Current auditor

Date of appointment **06-02-2012**  
Given names **CHRISTOPHER JAMES**  
Family name **DODD**  
Address **'FRESHWATER PLACE  
PRICEWATERHOUSECOOPERS'  
2 SOUTHBANK BOULEVARD  
SOUTHBANK VIC 3006**

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### Certification

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I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

**Yes**

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### Signature

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Select the capacity in which you are lodging the form  
**Agent**

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

**Yes**

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### Authentication

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This form has been authenticated by  
Name **ADDISONS ACCOUNTANTS**  
This form has been submitted by  
Name **Maggie VERHALLEN**  
Date **17-04-2014**

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MYOB GROUP PTY LIMITED ACN 153 094 958

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# **MYOB Group Pty Limited**

ACN 153 094 958

## **Financial Report**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

# Contents

	Page
<b>Directors' report</b>	1
<hr/>	
<b>Financial statements</b>	
Consolidated income statement	8
Consolidated statement of comprehensive income	9
Consolidated balance sheet	10
Consolidated statement of changes in equity	11
Consolidated statement of cash flows	12
<hr/>	
<b>Notes to the consolidated financial statements:</b>	
1 Corporate information	13
2 Summary of significant accounting policies	13
3 Financial risk management	25
4 Critical accounting estimates and judgements	29
5 Segment information	30
6 Revenue	32
7 Expenses	33
8 Income tax expense	34
9 Current assets – Cash and cash equivalents	35
10 Current assets – Trade and other receivables	35
11 Current assets – Inventories	36
12 Current assets – Other current assets	37
13 Current assets – Current tax receivables	37
14 Non-current assets – Property, plant and equipment	38
15 Non-current assets – Intangible assets & goodwill	40
16 Non-current assets – Deferred tax assets	43
17 Current liabilities – Trade and other payables	45
18 Current Liabilities - Current tax payable	45
19 Current liabilities – Interest-bearing loans and borrowings	45
20 Current liabilities – Provisions	46
21 Current liabilities – Unearned revenue	46
22 Current liabilities – Derivative financial instruments	47
23 Non-current liabilities – Payables	48
24 Non-current liabilities – Interest-bearing loans and borrowings	48
25 Non-current liabilities – Provisions	49
26 Contributed equity	50
27 Retained earnings and reserves	51
28 Key management personnel disclosures	52
29 Remuneration of auditors	54
30 Commitments and contingencies	55
31 Related party transactions	56
32 Reconciliation of profit after income tax to net cash inflow from operating activities	58
33 Share-based payments	59
34 Business combination	60
35 Parent entity financial information	61
36 Events after the balance sheet date	61
<hr/>	
<b>Auditor's report</b>	62

## DIRECTORS' REPORT

The Directors present their report on MYOB Group Pty Limited and the entities it controlled for the year ending 31 December 2013.

MYOB Group Pty Limited (the Parent) is a company limited by shares, incorporated on September 7th, 2011.

### DIRECTORS

The following persons were directors of MYOB Group Pty Limited during the whole of the financial year and up to the date of this report:

Craig Boyce  
Serge Walid Sarkis  
Timothy Reed  
Neil Kalvelage  
Richard Moore

Paul Edgerley was appointed 19<sup>th</sup> November 2013 and continues in office at the date of this report. Michael Ward resigned from the board on 19<sup>th</sup> November 2013.

### PRINCIPAL ACTIVITIES

The principal activities of MYOB Group Pty Limited during the period were the development and publishing of software and the provision of services for small and medium enterprises, including accountants in public practice.

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

### CONSOLIDATED RESULT

The consolidated loss for the period attributable to the owners of the parent was:	(\$'000)
(2012 period: (52,711))	<b>(55,078)</b>

### REVIEW OF OPERATIONS

For the 12 months ended 31 December 2013 MYOB Group Pty Limited reported operating revenue from continuing operations of \$246.6 million (2012 period: \$217.6 million). MYOB Group Pty Limited's profit from continuing operations before income tax, other expenses, depreciation and amortisation was \$120.9 million (2012 period: \$106.5 million).

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 31<sup>st</sup> May 2013, the MYOB Group acquired Media Transfer Services Limited, Banklink Pty Limited, Banklink Limited and The Accountants Toolbox Limited.

There were no other significant changes in the state of affairs of MYOB Group Pty Ltd during the financial year.

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There are no matters or circumstances that have arisen since 31 December 2013 that have significantly affected, or may significantly affect:

- (a) MYOB Group Pty Limited's operations in the future financial year, or
- (b) the results of those operations in future financial years, or
- (c) MYOB Group Pty Limited's state of affairs in future financial years.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of MYOB Group Pty Limited and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to MYOB Group Pty Limited.

### ENVIRONMENTAL REGULATION

There are no significant environmental regulations that apply.

## DIRECTORS' REPORT

### INFORMATION ON DIRECTORS

#### CRAIG BOYCE (NON-EXECUTIVE DIRECTOR)

##### ***Experience and Expertise***

Craig Boyce became a director of a number of the companies within the MYOB Group in September 2011, when funds advised by Bain Capital acquired MYOB.

Craig joined Bain Capital in 1998 and is a Managing Director. He leads Bain Capital's Australian business. He has been involved in managing a number of key investments by funds advised by Bain Capital in addition to MYOB, including China Fire & Security, Contec, Fleetcor, Houghton Mifflin, SuperPages – Canada and Uniview. Before joining Bain Capital, Craig was a consultant at Bain & Company, providing strategic and operational advice to companies in the financial services, technology and consumer sectors.

Craig has an MBA from Harvard Business School, an MS in Chemical Engineering from Massachusetts Institute of Technology, and a BSE magna cum laude in Chemical Engineering from Princeton University

##### ***Special Responsibilities***

Member of Audit, Executive and Compensation committees

#### PAUL EDGERLEY (NON-EXECUTIVE DIRECTOR)

##### ***Experience and Expertise***

Paul Edgerley became a director of a number of companies within the MYOB Group in December 2013.

Paul joined Bain Capital in 1988 and has been a Managing Director since 1990. Prior to joining Bain Capital, Paul spent five years at Bain & Company where he worked as a consultant and a manager in the healthcare, information services, retail and automobile industries. Previously, he worked at Peat Marwick Mitchell & Company.

Paul received an MBA, with Distinction, from Harvard Business School and is a Certified Public Accountant. He received a BS from Kansas State University

#### SERGE WALID SARKIS (NON-EXECUTIVE DIRECTOR)

##### ***Experience and expertise***

Serge Walid Sarkis became a director of a number of the companies within the MYOB Group in September 2011, when funds advised by Bain Capital acquired MYOB.

Walid joined AlphaOne Partners in January 2014 as a Managing Partner. Prior to AlphaOne, Walid was a Managing Director at Bain Capital. He was the founder of Bain Capital's European business and led its South East Asia and Australian business. He was involved in managing a number of key investments by funds advised by Bain Capital in addition to MYOB, including Novacap, SigmaKalon, FCI, Boart Longyear, Shoppers Drug Mart, Ideal Standard, Toys R Us. Before joining Bain Capital, he was a consultant at the Boston Consulting Group, providing strategic and operational advice to companies in the consumer products and industrial good sectors.

Walid has an MBA from Harvard Business School, an MS in Industrial Engineering from Stanford University and is a graduate from Ecole Polytechnique in France.

##### ***Special responsibilities***

Member of Compensation committee

## DIRECTORS' REPORT

### NEIL KALVELAGE (NON-EXECUTIVE DIRECTOR)

#### ***Experience and expertise***

Neil Kalvelage became a director of a number of the companies within the MYOB Group in February 2012.

Neil joined Bain Capital in 2006 and is an Operating Partner. In addition to MYOB, Neil was actively involved with and served on the Board of Applied Systems, a software investment by funds advised by Bain Capital. Before joining Bain Capital, Neil worked at The Hershey Company, starting and leading the U.S. Commercial Strategy department. Before that, Neil worked in the Corporate Strategy department at PepsiCo, spent 5 years at Bain & Co. in Boston, and held various financial roles at PPG Industries.

Neil has an MBA with highest distinction from Carnegie Mellon and has a BS in Finance from The Pennsylvania State University.

#### ***Special responsibilities***

Member of Audit, Executive and Compensation committees

### TIMOTHY REED (EXECUTIVE DIRECTOR, CEO)

#### ***Experience and expertise***

Tim Reed joined MYOB In July 2004 when it acquired Solution 6. Tim was appointed CEO in 2008 after spending over five years in management roles including Managing Director of MYOB Australia and MYOB Group Product Executive. Throughout his time with MYOB, Tim has overseen the Australian business's growth and its expansion into online services. He also led the creation of the Enterprise Division via the acquisition of Commac and Exonet in 2007, and established the Websites Division in 2008 through the acquisition of Ilysis and Smartyhost. Prior to joining Solution 6, Tim worked in Silicon Valley with a number of companies in global technology and internet markets.

Tim has an MBA from Harvard Business School, graduating as a Baker Scholar and a Bachelor of Commerce (Honours) from the University of Melbourne.

#### ***Special responsibilities***

Chairman of the board  
Chief Executive Officer  
Member of Executive and Compensation committees

### RICHARD MOORE (EXECUTIVE DIRECTOR, CFO)

#### ***Experience and expertise***

Richard Moore joined MYOB in April 2012 in the role of CFO and General Manager, Shared Services. Prior to joining MYOB he held multiple senior finance roles across a diverse range of industries, including most recently CFO of Jetstar Airways and CFO of Bankwest Business. Prior to that he spent 8 years at GE Capital in various finance roles across a number of divisions in both Europe and Australia, and worked for PricewaterhouseCoopers in Edinburgh, Scotland.

Richard has a MA (Honours) — Economics from the University of Edinburgh and a CA from the Institute of Chartered Accountants of Scotland.

#### ***Special responsibilities***

Member of Audit committees  
Chief Financial Officer  
Member of Audit and Executive committees

### COMPANY SECRETARY

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

Ian has a Bachelor of Laws (Honours) from Nottingham Trent University, England.



## DIRECTORS' REPORT

### MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors held during the year end 31 December 2013, and the number of meetings attended by each director were:

	Full meetings of directors		Meetings of committee	
			Audit	
Directors	Attended	Held/Eligible	Attended	Held/Eligible
Craig Boyce	13	13	**	**
Serge Walid Sarkis	7	13	1	1
Paul Edgerley (#)	1	2	**	**
Michael Ward	4	12	**	**
Neil Kalvelage	11	13	1	1
Timothy Reed	13	13	**	**
Richard Moore	13	13	1	1
** Not a member of relevant committee				

(#) Paul Edgerley was appointed non-executive director on 19/11/2013. Michael Ward resigned as director on 19/11/2013.

The Executive and Compensation committees did not meet during this period.

### INSURANCE OF OFFICERS

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

### INDEMNITY OF AUDITORS

MYOB Group Pty Limited does not indemnify the auditors.

### NON-AUDIT SERVICES

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 29.

The board of directors has considered the position and, in accordance with advice received from the Audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out in note 29, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services had been reviewed by the Audit committee to ensure they do not impact the impartiality and objectivity of the auditor,
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

### AUDITOR INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

### ROUNDING OF AMOUNTS

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

## DIRECTORS' REPORT

### TAX CONSOLIDATION

MYOB Group Pty Limited and its 100% owned Australian subsidiaries are a tax consolidated group.

### AUDITOR

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

Signed in accordance with a resolution of the Board of Directors:



**Tim Reed**  
Director  
MYOB Group Pty Limited



**Richard Moore**  
Director  
MYOB Group Pty Limited

Melbourne, 25<sup>th</sup> of February, 2014



## Auditor's Independence Declaration

As lead auditor for the audit of MYOB Group Pty Limited for the year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

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

Chris Dodd  
Partner  
PricewaterhouseCoopers

Melbourne  
25 February 2014

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
*Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001*  
*T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au*  
Liability limited by a scheme approved under Professional Standards Legislation.

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of MYOB Group Pty Limited, we state that:

1. In the opinion of the directors:
  - (a) The financial statements and notes of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
    - (i) Giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2013 and of their performance for the period ended on that date; and
    - (ii) Complying with Accounting Standards and Corporations Regulations 2001; and
  - (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the combined business will be able to meet any obligations or liabilities as and when they become due and payable.

On behalf of the Board



**Tim Reed**  
Director  
MYOB Group Pty Limited



**Richard Moore**  
Director  
MYOB Group Pty Limited

Melbourne, 25<sup>th</sup> of February, 2014

## Consolidated income statement

FOR THE PERIOD ENDED 31 DECEMBER 2013

	Note	2013 \$'000	2012 \$'000
<b>Revenue</b>	6	246,551	217,605
Staff related expenses	7(b)	(84,856)	(73,120)
General office / administration		(20,886)	(21,019)
Direct materials		(7,966)	(5,002)
Royalties		(2,664)	(2,608)
Reseller commissions		(6,583)	(5,381)
Marketing expenses		(7,914)	(8,266)
Other expenses	7(c)	(9,480)	(8,581)
Depreciation and amortisation expenses	7(a)	(64,965)	(63,131)
Interest received		4,354	946
Finance cost	7(d)	<u>(121,625)</u>	<u>(106,949)</u>
<b>(Loss) from operations before income tax</b>		(76,034)	(75,506)
Income tax benefit	8	<u>20,956</u>	<u>22,795</u>
<b>(Loss) from operations after income tax</b>		<u>(55,078)</u>	<u>(52,711)</u>
(Loss) for the period is attributable to:			
Owners of the parent		<u><u>(55,078)</u></u>	<u><u>(52,711)</u></u>

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

## Consolidated statement of comprehensive income

FOR THE PERIOD ENDED 31 DECEMBER 2013

	2013 \$'000	2012 \$'000
<b>(Loss) from operations after income tax</b>	<b><u>(55,078)</u></b>	<b><u>(52,711)</u></b>
<b>Other comprehensive income / (loss)</b>		
Foreign currency translation	6,370	1,558
Change in fair value of cash flow hedges	<u>2,293</u>	<u>(4,811)</u>
<b>Other comprehensive income / (loss) for the period, net of tax</b>	<b><u>8,663</u></b>	<b><u>(3,253)</u></b>
<b>Total comprehensive (loss) for the period</b>	<b><u>(46,415)</u></b>	<b><u>(55,964)</u></b>
Total comprehensive (loss) for the period is attributable to:		
Owners of the parent	<b><u>(46,415)</u></b>	<b><u>(55,964)</u></b>

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

## Consolidated balance sheet

AS AT 31 DECEMBER 2013

	Note	2013 \$'000	2012 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	52,478	97,268
Trade and other receivables	10	10,145	6,482
Inventories	11	381	409
Other current assets	12	30,431	8,496
Current tax receivables	13	2	175
<b>Total current assets</b>		<u>93,437</u>	<u>112,830</u>
<b>Non-current Assets</b>			
Property, plant and equipment	14	16,949	5,938
Intangible assets & goodwill	15	1,263,107	1,195,291
Deferred tax assets	16 (a)	16,076	-
<b>Total non-current assets</b>		<u>1,296,132</u>	<u>1,201,229</u>
<b>TOTAL ASSETS</b>		<u>1,389,569</u>	<u>1,314,059</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	17	15,060	12,703
Income tax payable	18	1,338	-
Interest-bearing loans and borrowings	19	35,003	4,412
Unearned revenue	21	38,839	43,318
Provisions	20	9,062	8,340
Derivative financial instruments	22	3,453	6,850
<b>Total current liabilities</b>		<u>102,755</u>	<u>75,623</u>
<b>Non-current Liabilities</b>			
Non-current payables	23	50	27
Interest-bearing loans and borrowings	24	1,092,427	996,498
Deferred tax liabilities	16 (b)	-	6,364
Provisions	25	4,591	1,143
<b>Total non-current liabilities</b>		<u>1,097,068</u>	<u>1,004,032</u>
<b>TOTAL LIABILITIES</b>		<u>1,199,823</u>	<u>1,079,655</u>
<b>NET ASSETS</b>		<u>189,746</u>	<u>234,404</u>
<b>EQUITY</b>			
Contributed equity	26	354,072	353,317
Retained earnings	27 (a)	(171,799)	(116,721)
Reserves	27 (b)	7,473	(2,192)
<b>TOTAL EQUITY</b>		<u>189,746</u>	<u>234,404</u>

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

## Consolidated statement of changes in equity

FOR THE PERIOD ENDED 31 DECEMBER 2013

	Note	Issued capital \$'000	Foreign currency translation reserve \$'000	Cash flow hedge reserve \$'000	Management shares reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>At 1 January 2013</b>		353,317	1,020	(4,282)	1,070	(116,721)	234,404
(Loss) for the period		-	-	-	-	(55,078)	(55,078)
Other comprehensive income (net of tax)		-	6,370	2,293	-	-	8,663
<b>Total comprehensive income / (loss) for the period</b>		-	<b>6,370</b>	<b>2,293</b>		<b>(55,078)</b>	<b>(46,415)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Management share scheme		-	-	-	1,002	-	1,002
Issue of share capital		809	-	-	-	-	809
Shares bought-back		(54)	-	-	-	-	(54)
<b>At 31 December 2013</b>	26/27	<b>354,072</b>	<b>7,390</b>	<b>(1,989)</b>	<b>2,072</b>	<b>(171,799)</b>	<b>189,746</b>
<b>At 1 January 2012</b>		352,820	(538)	529	-	(64,010)	288,801
(Loss) for the period		-	-	-	-	(52,711)	(52,711)
Other comprehensive income / (loss) (net of tax)		-	1,558	(4,811)	-	-	(3,253)
<b>Total comprehensive income / (loss) for the period</b>		-	<b>1,558</b>	<b>(4,811)</b>		<b>(52,711)</b>	<b>(55,964)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Management share scheme		-	-	-	1,070	-	1,070
Issue of share capital		651	-	-	-	-	651
Shares bought-back		(154)	-	-	-	-	(154)
<b>At 31 December 2012</b>	26/27	<b>353,317</b>	<b>1,020</b>	<b>(4,282)</b>	<b>1,070</b>	<b>(116,721)</b>	<b>234,404</b>



## Consolidated statement of cash flows

FOR THE PERIOD ENDED 31 DECEMBER 2013

	Note	2013 \$'000	2012 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		267,907	237,578
Payments to suppliers and employees		(165,208)	(146,511)
Finance costs		(53,638)	(45,812)
Income tax received		(794)	74
Interest received		2,397	883
<b>Net cash flows from operating activities</b>	32	<u>50,664</u>	<u>46,212</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(8,703)	(3,244)
Cash included in net assets divested or acquired		647	-
Capitalised internal Software costs		(4,726)	(4,567)
Capitalised new product development		(3,460)	-
Purchased intangible assets		(1,000)	(4,666)
Sale of Domain and Hosting IP		2,250	-
Sale of Domain and Hosting business		2,436	-
Investment in BankLink		(113,836)	-
<b>Net cash flows used in investing activities</b>		<u>(126,392)</u>	<u>(12,477)</u>
<b>Cash flows from financing activities</b>			
Shares issued		809	651
Shares bought back		(54)	(154)
Redeemable preference shares issued		245	313
WHT paid on Loan notes		(690)	(622)
Increase in borrowings		62,777	155,000
Repayment of borrowings		(31,501)	(94,250)
Debt transaction costs		(314)	(7,285)
<b>Net cash flows from financing activities</b>		<u>31,272</u>	<u>53,653</u>
Net increase / (decrease) in cash and cash equivalents		(44,456)	87,388
Net foreign exchange differences		(334)	162
Cash and cash equivalents at beginning of period		97,268	9,718
<b>Cash and cash equivalents at end of period</b>	9	<u><u>52,478</u></u>	<u><u>97,268</u></u>

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

# Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2013

## 1 CORPORATE INFORMATION

The consolidated financial statements and notes represent those of MYOB Group Pty Limited (parent) and its consolidated entities ("the Group"). The financial statements were authorised for issue on 25 February 2014 by the directors of the company.

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

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

#### (i) Compliance with IFRS

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

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

Recently issued or amended accounting standards

AASB 9 Financial Instruments, AASB 2009–11 and AASB 2010–7

These amendments affect the valuation and recognition of certain types of financial assets and liabilities and are not expected to have a significant impact on the financial statements other than disclosure and becomes applicable 1 January 2015.

AASB 10 Consolidated Financial Statements and AASB 2011–7

Builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Group. This standard is not expected to have a significant impact on the financial statements and becomes applicable to annual reporting periods commencing 1 January 2013.

AASB 11 Joint Arrangements

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. This standard is not expected to have a significant impact on the financial statements and becomes applicable to annual reporting periods commencing 1 January 2013.

## Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2013

### AASB 12 Disclosure of interests in other entities

The standard includes disclosure requirements for entities covered under AASB 10 and 11. This standard is not expected to have a significant impact on the financial statements and becomes applicable to annual reporting periods commencing 1 January 2013.

### AASB 13 Fair value measurement

The standard provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. This standard is not expected to have a significant impact on the financial statements and becomes applicable to annual reporting periods commencing 1 January 2013.

### AASB 119 Employee benefits

The standard changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. Revised accounting for defined benefit plans removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. This standard is not expected to have a significant impact on the financial statements and becomes applicable to annual reporting periods commencing 1 January 2013.

### AASB 2011–4 Amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements

The AASB removed the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures in 2011, to achieve consistency with the international standards and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements and becomes applicable 1 July 2013.

### (iii) Historical cost convention

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

### (iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of MYOB Group Pty Limited and its subsidiaries ("the Group") as at 31 December each year.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, including unrealised profits arising from intra-group transactions, income and expenses and profits and losses from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Group had control.

#### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Operational Business Review committee.

#### 2.4 Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer. Acquisition-related costs are expensed as incurred, and included in "other" expenses.

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration will be recognised in the profit or loss.

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5 Foreign currency translation

The functional and presentation currency of MYOB Group Pty Limited and its Australian subsidiaries is Australian dollars (A\$).

##### *Transactions in foreign currency*

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

All exchange differences in the consolidated financial report are taken to the income statement.

##### *Translation of functional currencies to presentation currency*

The functional currencies of the foreign operations are as follows:

OPERATION	CURRENCY
New Zealand	New Zealand Dollar
Malaysia	Malaysian Ringgit

The assets and liabilities of these overseas subsidiaries are translated into the presentation currency of MYOB Group Pty Limited at the rate of exchange ruling at the reporting date and the income statement and statement of comprehensive income are translated at the weighted average exchange rates for the period. All resulting exchange differences are recognised in other comprehensive income.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit or loss.

#### 2.6 Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### 2.7 Trade and other receivables

Trade receivables which generally have 30 day terms are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debt more than 60 days overdue are considered indicators of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.8 Inventories

Inventories are valued at the lower of cost or net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### 2.9 Investments and other financial assets

The Group classifies its investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement as either financial assets at fair value through profit or loss or loans and receivables.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

#### 2.10 Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment loss.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

CLASS OF FIXED ASSET	DEPRECIATION PERIOD
Leasehold improvements **	3-8 years
Plant and equipment*	3-5 years

\* Includes computer software / hardware and office machinery

\*\* Depreciated over the shorter of 3-8 years, or the life of the lease

The useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

#### *Impairment*

The impairment testing for tangible assets is performed in accordance with the accounting policy in Note 2.13.

#### *Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

#### 2.11 Goodwill

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

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

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

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

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

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

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

#### 2.12 Intangible assets

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

#### **Research and development costs**

Research costs are expensed as incurred.

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

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

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

	Commercialised software	Internally generated software	Customer relationships	Intellectual Property	Brand
Method used	<i>5 years- straight line</i>	<i>5 years- straight line</i>	<i>9.25 to 14.25 years- straight line</i>	<i>5 years- straight line</i>	<i>Not applicable -indefinite life</i>
Internally generated/Acquired	<i>Acquired</i>	<i>Internally generated</i>	<i>Acquired</i>	<i>Acquired</i>	<i>Acquired</i>
Impairment test/Recoverable amount testing	<i>Tested annually only if there is an indication of impairment.</i>				<i>Tested annually</i>

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

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.13 Impairment of intangibles and PPE (refer 2.11 for Goodwill impairment)

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

Recoverable amount is the greater of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets, other than goodwill, that recognised an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### 2.14 Trade and other payables

Trade and other payables are carried at amortised cost due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

#### 2.15 Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

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

#### 2.16 Borrowing costs

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

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

#### 2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.



## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.18 Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Defined contributions are made by the group to employee superannuation funds and are charged as expenses when incurred. All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans or equivalent provide accumulated benefits. Contributions are made by the Group in accordance with the statutory requirements of each jurisdiction.

Executives / Managers who invest in the business are entitled to Management shares that provide accelerated returns to the individuals on the occurrence of certain events such as a sale or IPO. Refer share-based payments note 2.25.

#### 2.19 Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

#### 2.20 Revenue

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

##### ***Subscriptions***

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

##### ***Sale of goods (new software and software upgrades & licences)***

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

##### ***Maintenance and cover support***

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

##### ***Transactional and other services***

Services revenue such as seminar fees is recognised when the service is provided.

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

##### ***Other revenues***

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

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Interest*

Income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

#### **2.21 Income tax**

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

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

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

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

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

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

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

#### ***Tax consolidated Group***

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

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

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The funding amounts calculated under the tax funding agreement are determined by a notional income tax allocation that is prepared for each member of the Tax Group as if it were a taxable entity in its own right. This notional income tax allocation is completed on the basis of specific assumptions set out in the tax funding agreement. Depending on the outcome the notional income tax allocation prepared by each member of the Tax Group will recognise either a current amount receivable or payable to the head entity of the Tax Group, being MYOB Group Pty Limited.

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

#### 2.22 Other taxes

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

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

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

#### 2.23 Derivative financial instruments and hedging

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

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

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or to a forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and cash flow hedge reserve in equity, while the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction (finance costs) when the forecast transaction occurs.

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

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

#### 2.24 Contributed equity

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

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

#### 2.25 Share-based payments

MYOB Group Pty Limited provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for management 'A' shares. These shares are funded by a non-recourse loan. These shares do not carry voting rights but allow holders to participate in a distribution upon an exit by the ultimate owners (Bain Capital), subject to performance and service conditions.

The scheme is accounted for as a share based payment under AASB 2 as any distribution is based upon the equity value of MYOB Group Pty Limited. The share based payment expense in relation to the scheme is recognised in MYOB Australia Pty Ltd, a subsidiary of MYOB Group Pty Limited, on a pro-rata basis over the expecting vesting period. The arrangement is treated as an equity settled expense.

The cost of these transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised over the vesting period of the equity instrument. The fair value is determined by an external valuer.

## **Notes to the Financial Statements (continued)**

**FOR THE PERIOD ENDED 31 DECEMBER 2013**

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **2.26 Parent entity financial information**

The financial information for the parent entity, MYOB Group Pty Limited, disclosed in note 35 has been prepared on the same basis as the consolidated financial statements.

#### **2.27 Cumulative management redeemable preference shares**

The component of the cumulative management redeemable preference shares that exhibits characteristics of a liability is recognised as a liability in the statement of financial position.

On issuance of the redeemable cumulative management preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability using the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

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

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, aging analysis for credit risk and economic trend and major competitor performance analysis to determine market risk.

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

#### 3.1 Market risk

##### (a) Foreign currency risk

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

At 31 December 2013, the group had the following exposure to various foreign currencies :

	New Zealand Dollars		Malaysian Ringgit	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash	1,360	1,138	119	118
Accounts receivable	2,487	1,165	-	-
Accounts payable	(1,291)	(733)	(32)	(103)
Borrowings	(83,930)	(13,354)	-	-
	(81,374)	(11,784)	87	15

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date. As at 31 December 2013, had the Australian Dollar moved, with all other variables held constant, post tax profit and equity would have been affected as illustrated in the table below:

Judgements of reasonably possible movements:	Higher / (Lower)	
	2013 \$'000	2012 \$'000
<b>Consolidated</b>		
AUD/NZD + 10%	(8,137)	(1,178)
AUD/NZD - 5%	4,069	589
AUD/MYR + 10%	9	2
AUD/MYR - 5%	(4)	(1)

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

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

##### (b) Cash flow and interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk if the borrowings are carried at fair value. Group policy is to maintain approximately 65% of its borrowings at fixed rate using interest rate swaps to achieve this. During 2013 and 2012, the Group's borrowings at variable rate were denominated in Australian Dollars and New Zealand Dollars.

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 3 FINANCIAL RISK MANAGEMENT (continued)

As at the end of the reporting period, the group had the following variable rate borrowings and interest rate swap contracts outstanding:

62% of the bank loans below are hedged.

	31 December 2013		31 December 2012	
	Balance \$000's	Weighted Average interest rate	Balance \$000's	Weighted Average interest rate
Bank Loans	495,257	6.70%	436,254	7.75%
Interest rate swaps	(307,269)	7.90%	(356,301)	8.48%
Net exposure to cash flow interest rate risk	<u>187,988</u>		<u>79,953</u>	

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

#### (i) Sensitivity

At 31 December 2013, if interest rates had increased / decreased by 100 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been \$1,300,000 higher/ lower (2012 changes of 100 bps: \$560,000 lower/higher) as a result of the fair value of the cash flow hedges of borrowings.

#### 3.2 Credit risk

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

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

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

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

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

#### 3.3 Liquidity risk

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

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

#### (a) Financing arrangements

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

	2013 \$'000	2012 \$'000
<b>Floating rate</b>		
-Expiring within one year (bank overdraft and bill facility)	-	-
-Expiring beyond one year (bank loans)	46,000	45,000
	<u>46,000</u>	<u>45,000</u>

MYOB has a \$48.1m facility that is made up by three revolving working capital facilities and may be drawn at any time.

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 3 FINANCIAL RISK MANAGEMENT (continued)

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

The tables below presents the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- (i) all non-derivative financial liabilities, and
- (ii) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

	Less than 6 months	6-12 months	1-5years	Total contractual cash flows	Carrying amount
<b>At 31 December 2013</b>					
<b>Non-derivatives</b>					
Trade and other receivables	10,145	-	-	10,145	10,145
Loan Notes	-	-	-	-	(200,430)
Redeemable preference shares	-	-	-	-	(298,031)
Non interest bearing trade payables	(12,472)	-	-	(12,472)	(12,472)
Retail Notes	(7,363)	(7,363)	(199,175)	(213,900)	(155,000)
Borrowings	(43,946)	(37,520)	(505,414)	(586,880)	(495,257)
<b>Total non-derivatives</b>	<b>(53,635)</b>	<b>(44,882)</b>	<b>(704,589)</b>	<b>(803,107)</b>	<b>(1,151,045)</b>
<b>At 31 December 2012</b>					
<b>Non-derivatives</b>					
Trade and other receivables	6,482	-	-	6,482	6,482
Loan Notes	-	-	-	-	(176,390)
Redeemable preference shares	-	-	-	-	(261,378)
Non interest bearing trade payables	(11,056)	-	-	(11,056)	(11,056)
Retail Notes	(7,750)	(7,750)	(217,000)	(232,500)	(155,000)
Borrowings	(18,022)	(29,335)	(508,035)	(555,392)	(436,255)
<b>Total non-derivatives</b>	<b>(30,346)</b>	<b>(37,085)</b>	<b>(725,035)</b>	<b>(792,466)</b>	<b>(1,033,597)</b>

At balance date, the Group has available approximately \$46 million of unused credit facilities available for its immediate use.

#### (c) Covenant reporting

Under MYOB Holding Pty Ltd's (a subsidiary of MYOB Group Pty Limited) Senior Facility agreement there is a requirement to report quarterly to the banking syndicate on a number of key ratios to ensure that the business is monitoring and managing cash, liquidity, borrowings and interest expense.

This reporting commenced at 30 June 2012 and the group has been in compliance with all undertakings in relation to its financing arrangements.



## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.4 Fair value

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

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

The only financial instruments carried at their fair value are the interest rate swaps. The directors consider the interest rate swaps to be level 2 financial instruments. The value of interest rate swaps are calculated as the present value of estimated cash flows based observable yield curves.

The directors consider that the carrying amount of the other financial assets and financial liabilities recorded in the financial statements approximate their fair values unless otherwise stated in applicable notes.

The fair value of borrowings approximates the carrying amount as the impact of discounting is not significant.

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### 4.1 Unearned revenue includes recognition of bundle sales

Upgrade / bundle sales are recognised in the balance sheet upon generation of an invoice to recognise the contractual commitment. Income is released to the P/L as it is earned and the service is provided e.g.: evenly over the life of the contract / agreement. Although bundle sales contain a "software" component in the form of an upgrade, the timing of the delivery of that upgrade will vary depending on the purchase / start date of the contract and the value of that component is difficult to substantiate. Therefore rather than identify the "software" component and recognise that portion of the revenue at point of sale, the income is evenly recognised across the life of the contract thus treating all "on going" contracts consistently.

#### 4.2 Estimated impairment of goodwill

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. For key assumptions refer note 15(a).

#### 4.3 Recovery of deferred tax assets

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

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

#### 4.4 Make good provisions

A provision has been made for the value of anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with closure, removal of internal partitioning and general clean up. The calculation of this provision includes estimates around the current market cost per square metre to make good the premises. These estimates may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each location is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision. The related carrying amounts are disclosed in notes 20 & 25.

#### 4.5 Useful life of intangible assets

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

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 5 SEGMENT INFORMATION

#### 5.1 Description of segments

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

The Business division provides business management software and services to small and medium enterprises. The Accountants division provides business software and services to accounting professionals in practice. The Enterprise division provides business management software and services to medium enterprises.

There are no significant transactions between segments.

#### 5.2 Reporting Segments

	FY 2013				
	Business Division \$'000	Accountants Division \$'000	Enterprise Division \$'000	Corporate \$'000	Total \$'000
<b>(a) Revenue</b>					
Segment revenue	129,259	97,293	19,893	106	<b>246,551</b>
<b>(b) Other profit and loss disclosures</b>					
Direct materials / Royalties / Reseller Commissions	6,373	4,584	6,256	-	17,213
Staff related expenses	39,634	28,404	5,742	11,076	84,856
Other operating expenses	8,211	7,807	1,010	6,584	23,612
Contribution	75,041	56,498	6,885	(17,554)	120,870
Depreciation and amortisation					64,965
Non-recurring expenses					5,188
Other expenses					9,480
Finance costs					117,271
(Loss) before tax					<b>(76,034)</b>
<b>(c) Revenue by Country</b>					
	Aust \$'000	NZ \$'000	Total \$'000		
Segment revenue	215,315	31,236	<b>246,551</b>		

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 5 SEGMENT INFORMATION (continued)

#### (d) Non-Current Assets by Country

	Aust \$'000	NZ \$'000	Asia \$'000	Total \$'000
Property, plant and equipment	15,070	1,650	229	16,949
Intangible assets & goodwill	1,177,588	85,519	-	1,263,107
<b>Total</b>	<b>1,192,658</b>	<b>87,169</b>	<b>229</b>	<b>1,280,056</b>

#### FY 2012

	Business Division \$'000	Accountants Division \$'000	Enterprise Division \$'000	Corporate \$'000	Total \$'000
<b>(a) Revenue</b>					
Segment revenue	124,175	74,398	18,231	801	<b>217,605</b>
<b>(b) Other profit and loss disclosures</b>					
Direct materials / Royalties / Reseller Commissions	5,859	1,447	5,685	-	12,991
Staff related expenses	34,862	22,135	5,966	10,157	73,120
Other operating expenses	6,369	6,430	4,455	7,757	25,011
Contribution	77,085	44,386	2,125	(17,113)	106,483
Depreciation and amortisation					63,131
Non-recurring expenses					4,274
Other expenses					8,581
Interest					106,003
(Loss) before tax					<b>(75,506)</b>

#### (c) Revenue by Country

	Aust \$'000	NZ \$'000	Total \$'000
Segment revenue	194,364	23,241	<b>217,605</b>

#### (d) Non-Current Assets by Country

	Aust \$'000	NZ \$'000	Asia \$'000	Total \$'000
Property, plant and equipment	4,873	719	346	5,938
Intangible assets & goodwill	1,157,180	38,111	-	1,195,291
<b>Total</b>	<b>1,162,053</b>	<b>38,830</b>	<b>346</b>	<b>1,201,229</b>

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 6 REVENUE

	2013 \$'000	2012 \$'000
<b>Sales revenue</b>		
Revenue from sale of goods	23,178	29,383 *
Revenue from services	223,373	187,421
Other	-	801
	<b>246,551</b>	<b>217,605</b>

\*2012 revenue has been reduced by \$518K due to reclassification of reseller rebates to net off against revenue.

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 7 EXPENSES

	2013 \$'000	2012 \$'000
<b>(a) Depreciation of non-current assets</b>		
Plant and equipment	2,448	2,727
Leasehold improvements	1,105	369
<b>Total Depreciation of non-current assets</b>	<b>3,553</b>	<b>3,096</b>
<b>Amortisation of non-current assets</b>		
Customer Relationship	23,199	24,324
Commercialised Software	30,251	28,813
Inhouse Software	5,608	4,543
Acquired Intellectual Property	2,354	2,355
<b>Total amortisation of non-current assets</b>	<b>61,412</b>	<b>60,035</b>
<b>Total depreciation and amortisation</b>	<b>64,965</b>	<b>63,131</b>
<b>(b) Staff related expenses</b>		
Salaries and wages	62,571	56,308
Annual and long service leave	7,573	6,328
Superannuation	5,257	4,446
Bonuses and commissions	4,947	3,096
Management shares	1,002	1,070
Staff costs other than employee benefits	3,506	1,872
<b>Total employee expenses</b>	<b>84,856</b>	<b>73,120</b>
<b>(c) Other expenses</b>		
Management fee	2,399	2,499
Redundancy / Restructuring costs	335	929
Consultants - three year strategic plan	942	1,443
Professional fees	1,233	663
(Gain) on sale of investment	(566)	-
Write off Debt raising costs	-	2,898
Projects	4,657	-
Other costs	480	149
<b>Total other expenses</b>	<b>9,480</b>	<b>8,581</b>
<b>(d) Finance cost</b>		
Interest expense on senior debt	38,015	46,680
Debt transaction costs amortised	7,224	6,200
Interest expense on retail notes	15,468	467
Interest expense on redeemable preference shares and loan notes	60,918	53,602
<b>Total interest expense</b>	<b>121,625</b>	<b>106,949</b>
<b>(e) Rental expense relating to operating leases</b>		
Minimum lease payments - operating lease	3,503	4,976
<b>Total rental expense</b>	<b>3,503</b>	<b>4,976</b>

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 8 INCOME TAX EXPENSE

	2013 \$'000	2012 \$'000
<b>(a) Income tax expense</b>		
Current tax	3,473	890
Deferred tax	(23,533)	(22,594)
Adjustments for current tax of prior periods	(896)	(1,091)
Income tax (benefit)	<u>(20,956)</u>	<u>(22,795)</u>
Deferred income tax (revenue) included in income tax expense comprises:		
(Increase) in deferred tax assets	(18,647)	(16,876)
(Decrease) in deferred tax liabilities	(4,886)	(5,718)
	<u>(23,533)</u>	<u>(22,594)</u>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
(Loss) from operations before income tax	(76,034)	(75,506)
Tax at the Australian tax rate of 30% (2012 - 30%)	(22,810)	(22,652)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Amortisation of intangibles	1,677	653
Entertainment, Legal fees and Management shares	494	471
Research and Development Concession	(1,008)	(663)
Thin capitalisation - over geared non-deductible debt deductions	1,396	466
Derivative valuation not realised for tax	(48)	254
Non-deductible transaction costs	495	-
Sale of MYOB Australia E1 (capital gains are offset by capital losses)	(117)	-
Sundry items	(12)	27
	<u>2,877</u>	<u>1,207</u>
Difference in overseas tax rate	(127)	61
Adjustments for current tax of prior periods	(896)	(1,410)
Income tax (benefit)	<u>(20,956)</u>	<u>(22,795)</u>
<b>(c) Tax expense / (income) relating to items of other comprehensive income</b>		
Cash flow hedges	(765)	2,028
<b>(d) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	<u>6,321</u>	<u>5,974</u>
Potential tax benefit @30%	<u>1,896</u>	<u>1,792</u>
All unused tax losses relate to capital losses incurred by the Australian Tax Consolidated group.		
Movement in capital losses:		
Opening balance	5,974	
Adjustment - tax return for year ended 31 December 2012 (net capital losses incurred)	777	
Capital gain derived from sale of MYOB Australia E1	(429)	
Closing balance	<u>6,321</u>	

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

	2013 \$'000	2012 \$'000
<b>9 CURRENT ASSETS - CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	17,210	97,268
Short Term deposits	35,268	-
	<b>52,478</b>	<b>97,268</b>

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

### 10 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Trade receivables	9,184	5,631
Allowance for impairment	(330)	(360)
	8,854	5,271
Other receivables	1,291	1,211
	<b>10,145</b>	<b>6,482</b>

#### (a) Impaired Trade Receivables

As at 31 December 2013 current trade receivables of the Group with a nominal value of \$330,000 (2012-\$360,000) were impaired. The individually impaired receivables mainly relate to businesses facing difficulty due to the current economic climate. It was assessed that a portion of some of these receivables is expected to be recovered.

The ageing of these receivables is as follows:

1 to 3 months	75	93
over 3 months	255	267
	<b>330</b>	<b>360</b>

Movements in the provision for impairment of receivables are as follows:

Opening balance - 1 January	360	222
Provision for impairment recognised during the year	164	253
Receivables written off during the year as uncollectible	(205)	(123)
Adjustments (incl. currency)	11	8
Closing balance - 31 December	<b>330</b>	<b>360</b>

The creation and release of the provision for impaired receivables has been included in 'general office / administration' in the income statement.



## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

	2013 \$'000	2012 \$'000
<b>10 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (continued)</b>		
<b>Past due but not impaired</b>		
As at 31 December 2013, trade receivables of \$2.4 million (2012 - \$2.3 million) were past due but not impaired. These relate to numerous independent customers for whom there is no recent history of default or concern around collectability. The ageing of these trade receivables is as follows:		
1 to 3 months	1,925	1,917
over 3 months	452	428
	<u>2,377</u>	<u>2,345</u>

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables, other than a retention of title over goods sold to customers until cash is received.

**(b) Other Receivables**

These amounts generally relate to accruals for specific revenue earned but not received and other transactions outside the usual operating activities of the Group. No interest is charged and collateral is not held against these amounts.

**(c) Foreign exchange / Interest rate risk**

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 3.

**(d) Fair value and credit risk**

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 3 for more information on the risk management policy of the Group and the credit quality of the Group's trade receivables.

**11 CURRENT ASSETS - INVENTORIES**

Stock on hand	391	429
Provision for obsolescence	(10)	(20)
	<u>381</u>	<u>409</u>

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

	2013 \$'000	2012 \$'000
<b>12 CURRENT ASSETS - OTHER CURRENT ASSETS</b>		
Funds held on behalf of customers	3,138	3,336
Prepayments	4,907	4,776
Other	22,386	384
	<u>30,431</u>	<u>8,496</u>
<b>13 CURRENT ASSETS - CURRENT TAX RECEIVABLES</b>		
Income tax refundable	-	173
Withholding tax	2	2
	<u>2</u>	<u>175</u>

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 14 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	2013			
	Leasehold Improvement \$'000	Plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
<b>Year ended 31 December 2013</b>				
At 1 January 2013, net of accumulated depreciation and impairment	1,210	3,553	1,175	5,938
Additions	3,238	1,866	10,114	15,219
Assets written off	(190)	(525)	-	(715)
Transfer in/(out) from WIP	4,005	1,214	(5,219)	-
Net foreign currency movements arising from foreign operations	33	15	13	61
Depreciation charge for the year	(1,105)	(2,448)	-	(3,553)
At 31 December 2013, net of accumulated depreciation	<b>7,191</b>	<b>3,676</b>	<b>6,082</b>	<b>16,949</b>
<b>At 1 January 2013</b>				
Cost or fair value	3,510	31,286	1,175	35,971
Accumulated depreciation and impairment	(2,300)	(27,733)	-	(30,034)
Net carrying amount	1,210	3,553	1,175	5,938
<b>At 31 December 2013</b>				
Cost or fair value	7,916	10,214	6,082	24,212
Accumulated depreciation and impairment	(725)	(6,538)	-	(7,263)
Net carrying amount	<b>7,191</b>	<b>3,676</b>	<b>6,082</b>	<b>16,949</b>

Fully written down property, plant and equipment of \$23.9 million was removed from the fixed asset register.

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 14 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (continued)

	2012			Total \$'000
	Leasehold Improvement \$'000	Plant and equipment \$'000	Capital works in progress \$'000	
<b>Year ended 31 December 2012</b>				
At 1 January 2012, net of accumulated depreciation and impairment	760	4,113	978	5,851
Additions	518	1,722	1,004	3,244
Assets written off	(37)	-	-	(37)
Transfer in/(out) from WIP	341	466	(807)	-
Net foreign currency movements arising from foreign operations	(3)	(21)	-	(24)
Depreciation charge for the year	(369)	(2,727)	-	(3,096)
At 31 December 2012, net of accumulated depreciation	<b>1,210</b>	<b>3,553</b>	<b>1,175</b>	<b>5,938</b>
<b>At 1 January 2012</b>				
Cost or fair value	5,013	28,238	978	34,229
Accumulated depreciation and impairment	(4,253)	(24,125)	-	(28,378)
Net carrying amount	760	4,113	978	5,851
<b>At 31 December 2012</b>				
Cost or fair value	3,510	31,286	1,175	35,971
Accumulated depreciation and impairment	(2,300)	(27,733)	-	(30,033)
Net carrying amount	<b>1,210</b>	<b>3,553</b>	<b>1,175</b>	<b>5,938</b>

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 15 NON-CURRENT ASSETS - INTANGIBLE ASSETS & GOODWILL

	2013						Total \$'000
	Brand \$'000	Customer Relationship \$'000	Commercialised Software \$'000	Goodwill \$'000	Inhouse Software \$'000	Acquired IP \$'000	
<b>Year ended 31 December 2013</b>							
At 1 January 2013, net of accumulated amortisation	112,500	126,460	194,484	739,871	19,622	2,354	1,195,291
Additions (including business combinations)	12,893	20,168	19,799	58,229	4,731	1,000	116,820
Divested	-	-	-	(2,850)	-	-	(2,850)
Amortisation	-	(23,199)	(30,251)	-	(5,608)	(2,354)	(61,412)
Net foreign currency movements arising from foreign operations	-	798	-	14,460	-	-	15,258
At 31 December 2013, net of accumulated amortisation	<b>125,393</b>	<b>124,227</b>	<b>184,032</b>	<b>809,710</b>	<b>18,745</b>	<b>1,000</b>	<b>1,263,107</b>
<b>At 1 January 2013</b>							
Cost (gross carrying amount)	112,500	157,463	230,500	739,871	25,186	4,708	1,270,228
Accumulated amortisation and impairment	-	(31,003)	(36,016)	-	(5,564)	(2,354)	(74,936)
Net carrying amount	112,500	126,460	194,484	739,871	19,622	2,354	1,195,291
<b>At 31 December 2013</b>							
Cost (gross carrying amount)	125,393	178,735	250,299	809,710	29,917	5,709	1,399,762
Accumulated amortisation and impairment	-	(54,509)	(66,267)	-	(11,171)	(4,709)	(136,656)
Net carrying amount	<b>125,393</b>	<b>124,227</b>	<b>184,032</b>	<b>809,710</b>	<b>18,745</b>	<b>1,000</b>	<b>1,263,107</b>

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 15 NON-CURRENT ASSETS - INTANGIBLE ASSETS & GOODWILL (continued)

	2012						Total \$'000
	Brand \$'000	Customer Relationship \$'000	Commercialised Software \$'000	Goodwill \$'000	Inhouse Software \$'000	Acquired IP \$'000	
<b>Year ended 31 December 2012</b>							
At 1 January 2012, net of accumulated amortisation	112,500	150,228	223,297	737,675	19,598	-	1,243,298
Additions	-	-	-	-	4,567	4,666	9,233
Amortisation	-	(24,324)	(28,813)	-	(4,543)	(2,355)	(60,035)
Net foreign currency movements arising from foreign operations	-	556	-	2,196	-	43	2,795
At 31 December 2012, net of accumulated amortisation	<b>112,500</b>	<b>126,460</b>	<b>194,484</b>	<b>739,871</b>	<b>19,622</b>	<b>2,354</b>	<b>1,195,291</b>
<b>At 1 January 2012</b>							
Cost (gross carrying amount)	112,500	156,740	230,500	737,675	20,619	-	1,258,034
Accumulated amortisation and impairment	-	(6,512)	(7,203)	-	(1,021)	-	(14,737)
Net carrying amount	112,500	150,228	223,297	737,675	19,598	-	1,243,298
<b>At 31 December 2012</b>							
Cost (gross carrying amount)	112,500	157,463	230,500	739,871	25,186	4,708	1,270,228
Accumulated amortisation and impairment	-	(31,003)	(36,016)	-	(5,564)	(2,354)	(74,937)
Net carrying amount	<b>112,500</b>	<b>126,460</b>	<b>194,484</b>	<b>739,871</b>	<b>19,622</b>	<b>2,354</b>	<b>1,195,291</b>

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 15 NON-CURRENT ASSETS - INTANGIBLE ASSETS & GOODWILL (continued)

#### (a) Impairment tests for goodwill / intangibles

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

A segment-level summary of the allocation is presented below.

	Accountants Division \$'000	Business Division \$'000	Enterprise Division \$'000
Property, plant and equipment	5,792	9,392	1,765
<i>Identified intangibles:</i>			
Brand	38,446	75,235	11,712
Commercialised software/copyright	70,829	113,203	-
Customer relationships	90,441	33,786	-
Internally generated software	6,378	10,411	1,956
Acquired Intellectual property	1,000	-	-
Goodwill	253,009	479,621	77,080
<b>Total</b>	<b>465,895</b>	<b>721,648</b>	<b>92,513</b>

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

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

Discount Rate (post tax)	11.00%
Terminal growth rate	2.50%
Cost to sell	1.00%

#### (c) Methodology used to allocate Goodwill / intangibles that were not easily identifiable to a CGU:

Management used the actual revenue at time of acquisition per CGU to allocate goodwill and intangible assets that were not easily identifiable to a CGU. This basis was used to approximate the segmental revenue data that would have been available at the time of initial recognition of these assets.

#### (d) Brand

The brand (\$125.4m) is considered to have an indefinite useful life, as the longevity of the brand is not considered to be dissimilar to the MYOB business. MYOB continues to make the required investment to preserve key brand characteristics, including market position and reputation.

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 16 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	2013 \$'000	2012 \$'000		
Net deferred tax asset / (liability)	16,076	(6,364)		
Comprising:				
Deferred tax asset	50,746	33,192		
Offset by Deferred tax asset / (liability)	(34,670)	(39,556)		
	<b>16,076</b>	<b>(6,364)</b>		
<b>(a) Deferred tax assets</b>				
The balance comprises temporary differences attributable to:				
Tax losses (carried forward)	26,218	16,508		
Employee benefits	2,812	2,391		
	29,030	18,899		
Other				
Unearned Revenue	1,103	963		
Accruals	760	603		
Doubtful Debts	97	106		
Make good provision	774	438		
Provision for stock obsolescence	3	3		
Fixed assets	254	28		
Intangibles (brand, commercialised software)	14,615	8,738		
Borrowing costs	761	1,046		
Swap revaluation	1,036	1,801		
Loan notes interest not deductible	2,049	-		
Foreign exchange and FBT	65	4		
Business related costs	197	563		
	21,715	14,293		
Total deferred tax assets	50,746	33,192		
Deferred tax assets expected to be recovered within 12 months	7,958	4,969		
Deferred tax assets expected to be recovered after more than 12 months	42,788	28,223		
	50,746	33,192		
<b>Movements</b>	<b>Tax losses</b>	<b>Employee Benefits</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 31 December 2012</b>	16,508	2,391	14,293	33,192
(Charged)/credited				
- to profit or loss	9,710	750	8,188	18,647
- to other comprehensive income	-	-	(765)	(765)
- acquired through business combinations	-	(328)	-	(328)
<b>At 31 December 2013</b>	26,218	2,812	21,716	50,746



## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 16 NON-CURRENT ASSETS - DEFERRED TAX ASSETS (continued)

	2013 \$'000	2012 \$'000		
<b>(b) Deferred tax liability</b>				
The balance comprises temporary differences attributable to:				
Intangible assets	33,988	39,160		
In house software	678	378		
	<u>34,666</u>	<u>39,538</u>		
Other				
Prepayments	4	3		
Receivables	-	15		
	<u>4</u>	<u>18</u>		
Total deferred tax liabilities	<u>34,670</u>	<u>39,556</u>		
Deferred tax liabilities expected to be settled within 12 months	4	18		
Deferred tax liabilities expected to be settled after more than 12 months	34,666	39,538		
	<u>34,670</u>	<u>39,556</u>		
<b>Movements</b>	<b>Intangible assets \$'000</b>	<b>In house software \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
<b>At 31 December 2012</b>	39,160	378	18	39,556
(Charged)/credited				
- to profit or loss	(5,172)	300	(14)	(4,886)
<b>At 31 December 2013</b>	<u>33,988</u>	<u>678</u>	<u>4</u>	<u>34,670</u>

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
<b>17 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES</b>		
Trade creditors	2,088	2,045
Sundry creditors	6,101	5,382
Accrued expenses	6,871	5,276
	<u><b>15,060</b></u>	<u><b>12,703</b></u>

Trade liabilities are non interest bearing and normally settled on 30 day terms.

Sundry creditors includes a \$3.1 million (2012 - \$3.3 million) liability for funds held on behalf of customers of M-Powered services. This liability is offset by the cash held on behalf of M-Powered clients classified as other assets (refer note 12).

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
<b>18 CURRENT LIABILITIES - CURRENT TAX PAYABLE</b>		
Income tax payable	1,338	-
	<u><b>1,338</b></u>	<u><b>-</b></u>

### 19 CURRENT LIABILITIES - INTEREST-BEARING LOANS AND BORROWINGS

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Secured bank loan	42,285	11,573
Less: debt transaction costs	(7,282)	(7,161)
	<u><b>35,003</b></u>	<u><b>4,412</b></u>

MYOB Holdings Pty Ltd also has a \$48.1 million revolving working capital facility. This facility is currently unutilised except for supporting \$2.1 million of letters of credit provided to landlords of properties leased by the Group.

The Group's \$495 million bank debt is provided by a Syndicate of banks with the largest holding being just over 12%.

#### *Fair values*

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

The bank loan is secured over all of the assets of the Group with the exception of certain entities whose assets are immaterial to the Group.

The group uses interest rate swaps, interest rate caps and interest rate collars to hedge the risk associated with interest rate fluctuations.

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

	2013 \$'000	2012 \$'000
<b>20 CURRENT LIABILITES - PROVISIONS</b>		
Employee entitlements	8,852	6,973
Property dilapidation	210	1,367
	<u>9,062</u>	<u>8,340</u>

### (a) Property dilapidation

MYOB Group Pty Limited is required to restore the leased premises of its offices to their original condition at the end of the respective lease terms. A provision has been recognised for the value of the estimated expenditure required to complete restoration. These costs are accrued / expensed over the term of the lease.

### (b) Movements in Provisions:

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Property dilapidation \$'000
Carrying amount at start of year – 1 January 2013	1,367
Currency	3
Additional provision recognised	244
Acquired through BankLink acquisition	31
Payments on exit of leases	(1,184)
Transfers from non-current provision pending exit of leases	(251)
Carrying amount at end of year – 31 December 2013	<u>210</u>

	2013 \$'000	2012 \$'000
<b>21 CURRENT LIABILITES - UNEARNED REVENUE</b>		
Unearned revenue	<u>38,839</u>	<u>43,318</u>

Revenue from customer support and maintenance is recognised over the twelve month life of the contract. Revenue not yet recognised in the income statement under this policy is classified as unearned revenue in the balance sheet. The carrying amount is the reasonable approximation of the fair value.

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 22 CURRENT LIABILITIES - DERIVATIVE FINANCIAL INSTRUMENTS

	2013 \$'000	2012 \$'000
Interest rate swap / caps and collars	3,453	6,850
Total current derivative financial instrument liabilities	<u>3,453</u>	<u>6,850</u>

#### Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the group's financial risk management policies.

#### *Interest rate swap contracts - cash flow hedges*

In accordance with its risk management objective and strategy, MYOB Group Pty Limited is hedging the variability of a proportion of the cash flows relating to its existing funding attributable to market interest rate (BBSW) movements. This exposure is hedged through different types of instruments (swaps, caps and collars).

Interest rate swaps are designated as hedging instruments in a hedge accounting relationship against the benchmark interest component of the underlying Syndicated Facility Agreement or its subsequent floating rate funding (combined referred to as The Group's debt) maturing on 30 September 2016. The hedging instrument used is the Pay Fixed / Receive Floating swaps entered into by MYOB with its different bank counterparts.

Interest rate collars are designated as hedging instruments in a hedge accounting relationship against the benchmark interest component of the underlying Syndicated Facility Agreement or its subsequent floating rate funding (combined referred to as "The Group's debt") maturing on 30 September 2016. Specifically the cash flow risk due to changes in the market interest rate above the cap strike price and below the floor strike price.

Interest rate caps are designated as hedging instruments in a hedge accounting relationship against the benchmark interest component of the underlying Syndicated Facility Agreement or its subsequent floating rate funding (combined referred to as "The Group's debt") maturing on 30 September 2016. Specifically the cash flow risk due to changes in the market interest rate above the cap strike price.

The credit risk component of the debt is specifically excluded from the hedge accounting relationship.

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
<b>23 NON-CURRENT LIABILITIES - PAYABLES</b>		
Sundry creditors	50	27
	<u>50</u>	<u>27</u>

### 24 NON-CURRENT LIABILITIES - INTEREST-BEARING LOANS AND BORROWINGS

	<u>Maturity</u>	<u>2013</u> <u>\$'000</u>	<u>Maturity</u>	<u>2012</u> <u>\$'000</u>
Secured bank loan	2016	452,972	2016	424,682
Redeemable preference shares		298,031		261,378
Loan notes	2018	200,430	2018	176,390
Retail Notes	2017	155,000	2017	155,000
Less: debt transaction costs		<u>(14,006)</u>		<u>(20,952)</u>
		<u>1,092,427</u>		<u>996,498</u>

Refer note 3 & 19 for further commentary

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

25 NON-CURRENT LIABILITIES - PROVISIONS	2013 \$'000	2012 \$'000
Employee entitlements	822	1,008
Property dilapidation	1,932	135
Rent incentive	1,837	-
	<b>4,591</b>	<b>1,143</b>

**(a) Property dilapidation**

MYOB Group Pty Limited is required to restore the leased premises of its offices to their original condition at the end of the respective lease terms. A provision has been recognised for the value of the estimated expenditure required to complete restoration. These costs are accrued / expensed over the term of the lease.

**(b) Movements in Provisions:**

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Property dilapidation \$'000
Carrying amount at start of year – 1 January 2013	135
Currency	16
Additional provision recognised	115
Recognise make good for fit outs	1,414
Net transfers between current and non current	251
Carrying amount at end of year – 31 December 2013	1,932

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 26 CONTRIBUTED EQUITY

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
<b>(a) Issued and paid up capital</b>		
354,072,053 Fully paid Ordinary shares (2012 - 353,317,486)	354,072	353,317
	<u>354,072</u>	<u>353,317</u>

#### Terms and conditions of contributed equity

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

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

#### (b) Movement in shares on issue

	<u>2013</u>		<u>2012</u>	
	<u>No. shares</u> <u>Thousands</u>	<u>\$'000</u>	<u>No. shares</u> <u>Thousands</u>	<u>\$'000</u>
Beginning of the financial year	353,317	353,317	352,820	352,820
- issued during the year	809	809	651	651
- share buy-back	(54)	(54)	(154)	(154)
End of the financial year	<u>354,072</u>	<u>354,072</u>	<u>353,317</u>	<u>353,317</u>

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 27 RETAINED EARNINGS AND RESERVES

	Note	2013 \$'000	2012 \$'000
		<u>          </u>	<u>          </u>
<b>(a) Movements in retained earnings were as follows:</b>			
Balance 1 January		(116,721)	(64,010)
Net (Loss)		<u>(55,078)</u>	<u>(52,711)</u>
<b>Balance 31 December</b>		<b><u>(171,799)</u></b>	<b><u>(116,721)</u></b>
<b>(b) Reserves</b>			
<b>Foreign translation reserves</b>			
Balance 1 January		1,020	(538)
Translation of overseas controlled entities		<u>6,370</u>	<u>1,558</u>
<b>Balance 31 December</b>		<b><u>7,390</u></b>	<b><u>1,020</u></b>
<i>Foreign currency translation reserve</i>			
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record gains and losses on net investments in foreign operations.			
<b>Cash flow hedge reserve</b>			
Balance 1 January		(4,282)	529
Change in fair value of cash flow hedges		<u>2,293</u>	<u>(4,811)</u>
<b>Balance 31 December</b>		<b><u>(1,989)</u></b>	<b><u>(4,282)</u></b>
<i>Cash flow hedge reserve</i>			
The cash flow hedge reserve is used to record the impact of movement in interests rates on the hedging derivative.			
<b>Management shares reserve</b>			
Balance 1 January		1,070	-
Expensed for the period	33	<u>1,002</u>	<u>1,070</u>
<b>Balance 31 December</b>		<b><u>2,072</u></b>	<b><u>1,070</u></b>
<b>Total Reserves</b>		<b><u>7,473</u></b>	<b><u>(2,192)</u></b>



## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 28 KEY MANAGEMENT PERSONNEL

#### 28.1 Details of Key Management Personnel

##### (a) Directors

Craig Boyce	Director (Non-Executive)
Serge Walid Sarkis	Director (Non-Executive)
Paul Edgerley	Director (Non-Executive)
Neil Kalvelage	Director (Non-Executive)
Timothy Reed	Chief Executive Officer
Richard Moore	Chief Financial Officer

##### (b) Executives

Adam Ferguson	General Manager - Accountants Division
Andrew Birch	General Manager - Enterprise Division
Ben Ross	General Manager - Design and User Experience
Caroline Ruddick	General Manager - Group Marketing
James Scollay	General Manager - Business Division
John Moss	Chief Strategy Officer
Simon Raik-Allen	Chief Technology Officer

Michael Ward (non-executive director) resigned 19/11/2013, being replaced by Paul Edgerley (non-executive director) appointed from the same date.

#### 28.2 Key management personnel compensation

	2013 \$'000	2012 \$'000
Short-term employee benefits	3,642	3,049
Post-employment benefits	217	195
Long-term benefits	63	68
Share-based payments	638	739
	<b>4,561</b>	<b>4,051</b>

#### 28.3 Equity instrument disclosures relating to key management personnel

##### (i) Share holdings

The numbers of shares in the company held during the financial year by each director of MYOB Group Pty Limited and other key management personnel of the group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Name	Balance at the start of the year	Received during the year on the exercise of options	Other Changes during the year	Balance at the end of the year
<b>Directors of MYOB Group Pty Limited</b>				
<b>Ordinary Shares</b>				
Timothy Reed	6,452,895	-	-	6,452,895
Richard Moore	122,912	-	-	122,912
<b>Other key management personnel of the group</b>				
<b>Ordinary Shares</b>				
Adam Ferguson	1,766,864	-	-	1,766,864
Andrew Birch	1,106,211	-	-	1,106,211
Ben Ross	-	-	86,038	86,038
Caroline Ruddick	122,913	-	-	122,913
James Scollay	276,552	-	-	276,552
John Moss	768,202	-	-	768,202
Simon Raik-Allen	614,561	-	-	614,561

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 28 KEY MANAGEMENT PERSONNEL (continued)

#### 28.4 Loans to key management personnel

Long-term incentives are provided to certain employees via 'Management A Shares'. These shares do not carry voting rights but allow holders to participate in a distribution upon an exit by the ultimate owners (Bain Capital), subject to performance and service conditions.

The Management A Share scheme is designed to provide long-term incentives for executives, and key employees, to deliver long-term shareholder returns. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

In 2013 MYOB Group Pty Ltd issued an additional 4.3 million management "A" shares (funded via a non-recourse loan of \$0.5 million), of which 1.0 million management "A" shares relate to key management personnel (funded via a non-recourse loan of \$0.1 million).

In 2012 MYOB Group Pty Ltd issued an additional 5.6 million management "A" shares (funded via a non-recourse loan of \$0.6 million), of which 5.6 million management "A" shares relate to key management personnel (funded via a non-recourse loan of \$0.6 million).

In 2011 MYOB Group Pty Ltd issued management with 34 million management "A" shares (funded via a non-recourse loan of \$3.681 million), of which 21.7 million relate to key management personnel (funded via a non-recourse loan of \$2.35 million).

In accordance with the requirements of AASB2, the issue of the equity instruments and the associated non-recourse loans have been treated as option arrangements and the shares funded by non-recourse loans are not recognised as equity. MYOB intend to recover all amounts relating to the outstanding non-recourse loans in line with their contractual terms. These shares are subject to vesting and other conditions.

#### 28.5 Other transactions with key management personnel

All key management personnel, with the exception of the non-executive directors, hold management redeemable preference shares earning 14% interest annually, calculated monthly and compounded annually. Under the terms of the agreement there are various triggering events however these shares have no fixed expiry date.

	Balance at the start of the year (*)	New entrants	Interest compounded/ accrued during the year	Balance at the end of the year (*)
Total Non-current liability	8,272,712	53,962	1,167,645	9,494,319

(\*) Includes compounded and accrued interest

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 29 REMUNERATION OF AUDITORS

	<u>2013</u> \$	<u>2012</u> \$
The auditor of MYOB Holdings Pty Ltd is PricewaterhouseCoopers		
<i>Amounts received or due and receivable by PricewaterhouseCoopers (Australia) for:</i>		
• an audit or review of the financial report of the entity and any other entity in the consolidated entity	275,813	187,000
• other services in relation to the entity and any other entity in the consolidated entity		
- Project related	114,347	759,255
- Tax advisory	22,500	42,800
	<u>412,660</u>	<u>989,055</u>
<i>Amounts received or due and receivable by affiliates of PricewaterhouseCoopers Australia for:</i>		
• an audit or review of the financial report of subsidiary entities	42,280	38,000
	<u>454,940</u>	<u>1,027,055</u>

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 30 COMMITMENTS AND CONTINGENCIES

#### Operating lease commitments – Group as lessee

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

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	5,366	4,197
After one year but not more than five years	20,810	16,511
More than five years	7,025	10,089
	<b>33,201</b>	<b>30,797</b>

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

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 31 RELATED PARTY TRANSACTIONS

#### (a) Parent entity

The parent entity within the group is MYOB Group Pty Limited. The ultimate controlling entity (foreign resident) is Bain Capital Abacus Holdings L.P which at 31 December 2013 owns 95% (2012 – 95%) of the issued ordinary shares of MYOB Group Pty Limited.

#### (b) Subsidiaries

	Country of Incorporation	Percentage owned (%)	
		2013	2012
<b>Parent Entity:</b>			
MYOB Group Pty Limited	Australia		
<b>Controlled entities of MYOB Group Pty Limited:</b>			
MYOB Holdings Pty Ltd	Australia	100	100
MYOB Acquisition Pty Ltd	Australia	100	100
MYOB Finance Australia Limited	Australia	100	100
MYOB New Zealand Group Limited	New Zealand	100	100
MYOB Finance NZ Limited	New Zealand	100	100
MYOB NZ Limited	New Zealand	100	100
Media Transfer Services	New Zealand	100	-
Banklink Limited	New Zealand	100	-
The Accountants Toolbox Limited	New Zealand	100	-
MYOB Australia Pty Ltd	Australia	100	100
MYOB Technology Pty Ltd	Australia	100	100
MYOB Finance Pty Ltd	Australia	100	100
Solution 6 Pty Ltd	Australia	100	100
Banklink Pty Ltd	Australia	100	-
MYOB Asia Sdn Bhd	Malaysia	100	100
<b>In Liquidation:</b>			
Cayman Holdings Ltd	Caymans	100	100
ACN 133 874 736 Pty Ltd	Australia	100	100
ACN 136 926 960 Pty Ltd	Australia	100	100
ACN 135 061 915 Pty Ltd	Australia	100	100
ACN 133 875 126 Pty Ltd	Australia	100	100
ACN 133 879 001 Pty Ltd	Australia	100	100
ACN 135 572 486 Pty Ltd	Australia	100	100
ACN 086 760 303 Pty Ltd	Australia	100	100
Solution 6 Holdings Pty Ltd	Australia	100	100
MYOB Mexico	Mexico	100	100

#### (c) Subsidiaries incorporated

None

## **Notes to the Financial Statements (continued)**

FOR THE PERIOD ENDED 31 DECEMBER 2013

### **31 RELATED PARTY TRANSACTIONS (continued)**

#### **(d) Transactions with other related parties**

Management fees including out of pocket expenses amounting to \$2.4 million were paid to Bain Capital Partners LLC, our parent entity.

All transactions were entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

#### **(e) Loans from related parties**

Not applicable.

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 32 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013 \$'000	2012 \$'000
<b>Reconciliation of Net (Loss) after Income Tax with Cash Flow from Operations:</b>		
Net (loss) for the period	(55,078)	(52,711)
Cash flows excluded from operating (loss) attributable to operating activities:		
<b>Non-cash flows in operating (loss)</b>		
- Loss on disposal of Property, Plant and Equipment	12	(20)
- Amortisation/depreciation	64,759	63,131
- Accrued Interest expense	66,030	61,076
- Accrued specific items / management fees	602	(339)
- FX on foreign denominated transactions	(1,176)	(30)
- Management shares	1,002	1,070
- Write off debt costs	-	2,511
- Gain on sale of MYOB Australia E1 Pty Ltd	(566)	
- Group Tax transfer	(20,952)	(22,722)
<b>Changes in assets and liabilities, net of the effects of the purchase and disposal of subsidiaries:</b>		
- Movement in trade and term debtors	1,978	372
- Movement in other financial assets	199	(397)
- Movement in prepayments / other assets	(269)	(1,813)
- Movement in inventories	28	(35)
- Movement in trade creditors and accruals	(1,598)	(143)
- Movement in provisions	1,613	(951)
- Movement in income taxes payable	(793)	
- Movement in unearned revenues	(5,128)	(2,787)
<b>Cash Flows from operations</b>	<b>50,664</b>	<b>46,212</b>

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 33 SHARE-BASED PAYMENTS

#### (a) Management shares

In 2011, MYOB Group Pty Limited issued management with 'A' shares, funded by a non-recourse loan of \$3.7 million. These shares do not carry voting rights but allow holders to participate in a distribution upon an exit by the ultimate owners (Bain Capital), subject to performance and service conditions.

The scheme is accounted for as a share based payment under AASB 2 as any distribution is based upon the equity value of MYOB Group Pty Limited. The share based payment expense in relation to the scheme is recognised in MYOB Australia Pty Ltd, a subsidiary of MYOB Group Pty Limited, on a pro-rata basis over the expecting vesting period. The arrangement is treated as an equity settled expense.

The shares are expected to vest over 5 years, or on the point of exit by the ultimate owner. The expected vesting period is reconsidered at each reporting date.

The fair value of the shares has been calculated by an external valuer with reference to the expected future return from the plan. This includes estimates around the expected future exit date and the estimated enterprise value of MYOB, from which the distribution is calculated.

Number of Management "A" shares issued:

	<b>2013</b>	<b>2012</b>
	<b>number of shares</b>	<b>number of shares</b>
Opening balance	39,614	34,058
Number issued	4,330	6,230
Number bought back	(1,347)	(674)
Closing balance	<b>42,597</b>	<b>39,614</b>

Each share has a fair value of \$0.11 which was determined based on the expected future return to holders of A Shares.

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

Management "A" shares expense:

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Share based payments expense in relation to Management "A" Shares	(1,002)	(1,070)



## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 34 BUSINESS COMBINATION

On 31 May 2013, MYOB Holdings Pty Limited acquired BankLink, a provider of transactional services for consideration of AUD \$113,836,000 (NZ \$136,000,000). MYOB owns 100% of the acquired business.

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

	<b>\$'000</b>
Purchase consideration	113,836
Total purchase consideration	<u><u>113,836</u></u>

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

	<b>Fair value \$'000</b>
Cash and cash equivalents	692
Property, plant and equipment	1,493
Receivables	3,555
Payables	(2,366)
Net deferred tax assets	14
Provisions	(641)
	<u>2,747</u>
Add: Goodwill	58,229
Intellectual property - Brand	12,893
Intellectual property - Customer Relationships	20,168
Intellectual property - Commercialised Software	19,799
	<u><u>113,836</u></u>

#### **(i) Transaction costs**

Transaction costs of \$0.94 million have been expensed in the period in relation to business combination.

#### **(ii) Revenue contribution**

The acquired business contributed revenue of \$20.2 million to the group for the period from 1 June 2013 to 31 December 2013 (Had the business been held for the full year the estimated revenue would have been \$33.8 million).

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2013

### 35 PARENT ENTITY FINANCIAL INFORMATION

#### (a) Summary financial information

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

	<b>2013</b> <b>\$'000</b>	<b>2012</b> <b>\$'000</b>
<b>Balance Sheet</b>		
Current Assets	40,862	92,075
Non-current Assets	708,590	638,002
<b>Total Assets</b>	<b>749,452</b>	<b>730,077</b>
Current Liabilities	-	-
Non-current Liabilities	498,461	438,838
<b>Total Liabilities</b>	<b>498,461</b>	<b>438,838</b>
<b>Net Assets</b>	<b>250,991</b>	<b>291,239</b>
<b>Shareholders' equity</b>		
Issued Capital	354,072	353,317
Retained earnings	(103,081)	(62,078)
<b>Total Equity</b>	<b>250,991</b>	<b>291,239</b>
<b>(Loss) for the year</b>	<b>(41,002)</b>	<b>(37,934)</b>
<b>Total comprehensive (loss)</b>	<b>(41,002)</b>	<b>(37,934)</b>

#### (b) Contingent liabilities of the parent entity

There are no contingent liabilities or contingent assets as at 31 December 2013.

### 36 EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events noted after Balance Sheet date.



## **Independent auditor's report to the members of MYOB Group Pty Limited**

### ***Report on the financial report***

We have audited the accompanying financial report of MYOB Group Pty Limited (the company), which comprises the balance sheet as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for MYOB Group Pty Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

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

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

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

### ***Independence***

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

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*Auditor's opinion*

In our opinion:

- (a) the financial report of MYOB Group Pty Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Chris Dodd'.

Chris Dodd  
Partner

Melbourne  
25 February 2014