



MYOB Group Limited

ACN 153 094 958

Financial Report

FOR THE YEAR ENDED 31 DECEMBER 2014

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DIRECTORS' REPORT

The Directors present their report on MYOB Group Limited and the entities it controlled for the year ending 31 December 2014.

MYOB Group Limited (the Parent) is an unlisted public company, incorporated on September 7th, 2011.

DIRECTORS

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

Craig Boyce
Serge Sarkis
Paul Edgerley
Timothy Reed
Neil Kalvelage
Richard Moore

Serge Sarkis resigned from the board on 31st December 2014. Neil Kalvelage and Richard Moore resigned from the board on 13th March 2015.

PRINCIPAL ACTIVITIES

The principal activities of MYOB Group 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 Limited during the year.

DIVIDENDS – MYOB GROUP LIMITED

There were no dividends paid to members during the financial year.

CONSOLIDATED RESULT

The consolidated loss for the period attributable to the owners of the parent was:
(2013 period: (\$55,078))

(\$'000)
(71,575)

REVIEW OF OPERATIONS

For the 12 months ended 31 December 2014 MYOB Group Limited reported operating revenue from continuing operations of \$287.2 million (2013 period: \$246.6 million). MYOB Group Limited's profit from continuing operations before income tax, other expenses, depreciation and amortisation was \$138.5 million (2013 period: \$120.9 million).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 21 May 2014 MYOB Acquisition Pty Limited invested in Kounta Holdings Pty Limited. MYOB Acquisition Pty Limited holds 26.11% of the total shares on issue and has classified the investment as Available for Sale.

On 16 June 2014 MYOB Group completed a return of capital to all shareholders who held ordinary shares as at 30 April 2013.

On 31 August 2014 MYOB Finance NZ Limited, a member of the MYOB Group, acquired 100% of the shares in PayGlobal Limited (PGNZ). PGNZ held 100% of the shares in an Australian subsidiary, PayGlobal Pty Limited (PGAU).

On 26 November 2014 MYOB Acquisition Pty Limited purchased Class B-1 preference shares of ProjectX, International Ltd. MYOB Acquisition Pty Limited holds 68.08% of the Class B-1 preference shares on issue and 8.22% of all shares on issue and has classified the investment as Available for Sale.

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

DIRECTORS' REPORT

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 20 February 2015 the board of the Parent approved a selective buyback of Redeemable preference shares to the value of \$203 million out of refinancing completed during the year. Based on that approval the accounts reflect a current MRPS advance receivable and an offsetting current MRPS liability.

On 17 March 2015, MYOB Group Limited was converted to an unlisted public company. Part of this process included a change of name for the company to MYOB Group Limited, formerly MYOB Group Pty Limited.

On 12 March 2015 MYOB Group Ltd signed an agreement stating that the Company must, and is entitled to, redeem the Redeemed Notes (Referred to as Loan Notes per note 24) by paying to the Noteholders an aggregate amount of AUD292,500,000 (the "Redemption Price") within 3 business days of the date of completion of an initial public offering of its shares (or similar equity securities) and listing on the Australian Securities Exchange of any member of the Group (the "Redemption Date"), such amount to be paid to the Noteholders pari passu and rateably according to the number of Redeemed Notes held by each Noteholder. This agreement will terminate and be null and void if no initial public offering occurs on or before 30 June 2015.

On 20 March 2015 MYOB Group Limited issued management the remaining 3,363,016 unallocated 'A' shares, funded by a non-recourse loan of \$363,000. 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.

There are no further matters or circumstances that have arisen since 31 December 2014 that have significantly affected, or may significantly affect:

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

Serge joined AlphaOne Partners in January 2014 as a Managing Partner. Prior to AlphaOne, Serge 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 goods sectors.

Serge 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

Chief Financial Officer

Member of Audit and Executive committees

Public Officer

COMPANY SECRETARY

The company secretary is Mr Ian 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 2014, 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	7	7	2	2
Serge Sarkis (#)	3	7	1	**
Paul Edgerley	5	7	1	**
Neil Kalvelage (##)	7	7	2	2
Timothy Reed	7	7	1	**
Richard Moore (##)	7	7	2	2
(#) Serge Sarkis resigned as director on 31/12/2014				
(##) Neil Kalvelage and Richard Moore resigned as directors on 13/03/2015				
** Not a member of relevant committee				

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

INSURANCE OF DIRECTORS AND 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 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 7.

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

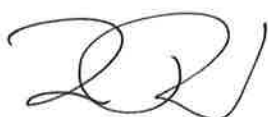
TAX CONSOLIDATION

MYOB Group 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 Limited



Craig Boyce
Director
MYOB Group Limited

Melbourne, 30th of March, 2015



Auditor's Independence Declaration

As lead auditor for the audit of MYOB Group Limited for the year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Chris Dodd'.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
30 March 2015

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 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 2014 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 Limited



Craig Boyce
Director
MYOB Group Limited

Melbourne, 30th of March, 2015

Consolidated income statement

FOR THE PERIOD ENDED 31 DECEMBER 2014

	Note	2014 \$'000	2013 \$'000
Revenue	6	287,225	246,551
Staff related expenses	7(b)	(94,080)	(80,532)
General office / administration		(27,008)	(20,886)
Direct materials		(10,409)	(7,966)
Royalties		(2,544)	(2,664)
Reseller commissions		(7,605)	(6,583)
Marketing expenses		(7,110)	(7,050)
Other expenses	7(c)	(27,891)	(14,668)
Depreciation and amortisation expenses	7(a)	(70,973)	(64,965)
Interest received		1,768	4,354
Finance cost	7(d)	(140,077)	(121,625)
(Loss) from operations before income tax		(98,704)	(76,034)
Income tax benefit	8	27,129	20,956
(Loss) from operations after income tax		(71,575)	(55,078)
(Loss) for the period is attributable to:			
Owners of the parent		(71,575)	(55,078)

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

Consolidated statement of comprehensive income

FOR THE PERIOD ENDED 31 DECEMBER 2014

	2014 \$'000	2013 \$'000
(Loss) from operations after income tax	(71,575)	(55,078)
Other comprehensive income / (loss)		
<i>Items that may be classified to profit or loss</i>		
Foreign currency translation	(484)	6,370
Change in fair value of cash flow hedges	1,457	2,293
Other comprehensive income for the period, net of tax	973	8,663
Total comprehensive (loss) for the period	(70,602)	(46,415)
Total comprehensive (loss) for the period is attributable to:		
Owners of the parent	(70,602)	(46,415)

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

Consolidated balance sheet

AS AT 31 DECEMBER 2014

	Note	2014 \$'000	2013 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	5,044	52,478
Trade and other receivables	10	12,143	10,145
Inventories	11	842	381
Other current assets	12	213,533	30,431
Current tax receivables	13	2,175	2
Total current assets		233,737	93,437
Non-current Assets			
Property, plant and equipment	14	15,662	14,185
Intangible assets & goodwill	15	1,239,248	1,265,871
Deferred tax assets	16 (a)	31,590	16,076
Investments	17	10,525	-
Total non-current assets		1,297,025	1,296,132
TOTAL ASSETS		1,530,762	1,389,569
LIABILITIES			
Current Liabilities			
Trade and other payables	18	23,843	15,060
Income tax payable	19	-	1,338
Interest-bearing loans and borrowings	20	223,937	35,003
Unearned revenue	22	40,125	38,839
Provisions	21	9,311	9,062
Derivative financial instruments	23	762	3,453
Total current liabilities		297,978	102,755
Non-current Liabilities			
Interest-bearing loans and borrowings	24	1,130,996	1,092,427
Provisions	25	4,716	4,641
Total non-current liabilities		1,135,712	1,097,068
TOTAL LIABILITIES		1,433,690	1,199,823
NET ASSETS		97,072	189,746
EQUITY			
Contributed equity	26	330,928	354,072
Retained earnings	27 (a)	(243,374)	(171,799)
Reserves	27 (b)	9,518	7,473
TOTAL EQUITY		97,072	189,746

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

Consolidated statement of changes in equity

FOR THE PERIOD ENDED 31 DECEMBER 2014

	Note	Issued capital \$'000	Foreign currency translation reserve \$'000	Cash flow hedge reserve \$'000	Management shares reserve \$'000	Retained earnings \$'000	Total equity \$'000
At 1 January 2014		354,072	7,390	(1,989)	2,072	(171,799)	189,746
(Loss) for the period		-	-	-	-	(71,575)	(71,575)
Other comprehensive income / (loss) (net of tax)		-	(484)	1,457	-	-	973
Total comprehensive income / (loss) for the period		-	(484)	1,457		(71,575)	(70,602)
Transactions with owners in their capacity as owners:							
Management share scheme		-	-	-	1,072	-	1,072
Issue of share capital		822	-	-	-	-	822
Shares bought-back		(123)	-	-	-	-	(123)
Return of capital		(23,843)					(23,843)
At 31 December 2014	26&27	330,928	6,906	(532)	3,144	(243,374)	97,072
At 1 January 2013		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
Total comprehensive income / (loss) for the period		-	6,370	2,293		(55,078)	(46,415)
Transactions with owners in their capacity as owners:							
Management share scheme		-	-	-	1,002	-	1,002
Issue of share capital		809	-	-	-	-	809
Shares bought-back		(54)	-	-	-	-	(54)
At 31 December 2013	26&27	354,072	7,390	(1,989)	2,072	(171,799)	189,746

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

Consolidated statement of cash flows

FOR THE PERIOD ENDED 31 DECEMBER 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers		314,322	267,907
Payments to suppliers and employees		(201,790)	(165,898)
Finance costs		(52,038)	(53,638)
Income tax (paid)		(3,263)	(794)
Interest received		1,132	2,397
Net cash flows from operating activities	32	58,363	49,974
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,067)	(8,703)
Capitalised new product development		(7,115)	(3,460)
Proceeds from sale of motor vehicles		61	-
Cash included in net assets divested or acquired		3,636	647
Capitalised software costs		(5,201)	(4,726)
Purchased intangible assets		(1,231)	(1,000)
Sale of Domain and Hosting IP / business		-	4,686
Acquisition of BankLink		(522)	(113,836)
Acquisition of PayGlobal		(13,746)	-
Investment in Kounta / Acumatica		(10,525)	-
Net cash flows used in investing activities		(39,710)	(126,392)
Cash flows from financing activities			
Shares issued		822	809
Shares bought back		(123)	(54)
Redeemable preference shares issued		438	245
Proceeds from borrowings		170,689	62,777
Capital return*		(1,093)	-
Repayment of borrowings		(25,703)	(31,501)
Loan to shareholders (MRPS advance)		(201,598)	-
Debt transaction costs		(9,283)	(314)
Net cash flows from financing activities		(65,851)	31,962
Net (decrease) in cash and cash equivalents		(47,198)	(44,456)
Net foreign exchange differences		(236)	(334)
Cash and cash equivalents at beginning of period		52,478	97,268
Cash and cash equivalents at end of period	9	5,044	52,478

*Majority of Capital return, \$22 million, was a non cash offset against the parent company receivable as at Dec 2013.

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 2014

1 CORPORATE INFORMATION

The consolidated financial statements and notes represent those of MYOB Group Limited (parent) and its consolidated entities ("the Group"). The financial statements were authorised for issue on 30 March 2015 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.

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 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

Accounting standards issued and effective

The Group has applied the following standard and amendment for the first time for the annual reporting period commencing 1 January 2014:

AASB 132 Financial Instruments

Amendments to Australia Accounting Standard - Offsetting Financial Assets and Liabilities adds application guidance.

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

Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2014

Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting periods and have not yet been applied in the financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below.

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

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

Amendments to AASB 15

Revenue from contracts with customers will be effective for the first interim period within annual reporting periods beginning on or after 1 January 2017, and will allow early adoption. Management has performed an initial assessment of the impact. Based on this initial assessment there is likely to be a change in the recognition of commission costs. AASB 15 requires the incremental costs of obtaining a contract are capitalised and expensed over the contract period. Under the current accounting policies, these costs are expensed as they occur. Management have not yet determined the financial impact of the change. Based on the guidance, management does not expect the recognition and measurement of revenue to materially change under the new standard, but has not yet completed its final assessment.

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

(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 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

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

Subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, including unrealised profits arising from intra-group transactions, income and expenses and profits and losses from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless the transaction provides evidence of the impairment of the asset.

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

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 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation

The functional and presentation currency of MYOB Group 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 entities are translated into the presentation currency of MYOB Group 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 in the balance sheet comprises cash at bank and on hand.

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 2014

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

Classification:

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Recognition and derecognition:

The sale of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When assets classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement:

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Impairment:

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. This is only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

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

2.10 Property, plant and equipment

Property, 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.

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 subject to amortisation is as follows:

	Commercialised software	Internally generated software	Customer relationships*	Intellectual Property	Brands**
Method used	5 to 8 years- straight line	5 years- straight line	9.25 to 17 years- diminishing value	5 years- straight line	3 to 5 years- straight line
Internally generated/Acquired	Acquired	Internally generated	Acquired	Acquired	Acquired
Impairment test/Recoverable amount testing	Tested annually only if there is an indication of impairment.				Tested annually

*Acquired customer relationships: BankLink is amortised over 11 years and PayGlobal is amortised over 17 years.

** The MYOB brand is considered to have an indefinite useful life, as the longevity of the brand is not considered to be dissimilar to the MYOB business.

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.

2.13 Impairment of Intangibles and Property, Plant & Equipment (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.

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2014

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 (performance) shares that provide accelerated returns to the individuals on the occurrence of certain events such as a sale. 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)

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer. In the case of 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 revenue

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 2014

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

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

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

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

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

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

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

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

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

Tax consolidated Group

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

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

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

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

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

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 Share based payments as any distribution is based upon the equity value of MYOB Group Limited. The share based payment expense in relation to the scheme is recognised 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.

2.26 Parent entity financial information

The financial information for the parent entity, MYOB Group 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 balance sheet.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

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 2014

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 collars 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 2014, the Group had the following exposure to various foreign currencies :

	New Zealand Dollars		Malaysian Ringgit	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash	1,280	1,360	62	119
Accounts receivable	3,640	2,487	96	-
Accounts payable	(1,293)	(1,291)	(37)	(32)
Borrowings	(104,476)	(83,930)	-	-
	(100,849)	(81,374)	121	87

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date. As at 31 December 2014, 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:

	Higher / (Lower)	
	2014	2013
	\$'000	\$'000
Judgements of reasonably possible movements:		
Consolidated		
AUD/NZD + 10%	(10,085)	(8,137)
AUD/NZD - 5%	5,042	4,069
AUD/MYR + 10%	12	9
AUD/MYR - 5%	(6)	(4)

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

(b) Cash flow and interest rate risk

The Group's main interest rate risk arises from long-term borrowings (including subordinated notes). 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 30% of its borrowings at fixed rate using interest rate collars to achieve this. During 2014 and 2013, 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 2014

3 FINANCIAL RISK MANAGEMENT (continued)

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

30% (2013: 62%) of the bank loans below are hedged.

	31 December 2014		31 December 2013	
	Balance \$000's	Weighted Average interest rate	Balance \$000's	Weighted Average interest rate
Bank loans	644,476	6.43%	495,257	6.70%
Subordinated notes	155,000	9.36%	-	
Interest rate swaps	-		(307,269)	7.90%
Net exposure to cash flow excluding interest rate collars and caps	799,476	Interest rate - collars and caps	187,988	
Interest rate collars	(163,923)	3%-6%	-	
Interest rate caps	(75,000)	5.30%	-	
Net exposure to cash flow including interest rate collars and caps	560,553		187,988	

Additional interest rate caps will take effect from 1 October 2015 and maturing on 30 September 2016.

During 2014 MYOB's:

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

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 2014, if interest rates had increased / decreased by 100 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been \$3,920,000 higher/ lower (2013 changes of 100 bps: \$1,310,000 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:

	2014 \$'000	2013 \$'000
Floating rate		
-Expiring within one year (bank overdraft and bill facility)	-	-
-Expiring beyond one year (bank loans)	46,537	46,000
	46,537	46,000

MYOB has a \$49 million (2013: \$48.1 million) 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 2014

3 FINANCIAL RISK MANAGEMENT (continued)

(b) Maturity analysis of financial assets and liabilities

The tables below present 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
At 31 December 2014					
Non-derivatives					
Trade and other receivables	12,143	-	-	12,143	12,143
Redeemable preference shares advance	203,000	-	-	203,000	203,000
Loan Notes	-	-	-	-	(227,675)
Redeemable preference shares	(203,000)	-	-	(203,000)	(339,194)
Non interest bearing trade payables	(18,591)	-	-	(18,591)	(18,591)
Subordinated Notes	(7,346)	(7,346)	(184,383)	(199,075)	(155,000)
Borrowings	(30,527)	(35,204)	(612,628)	(678,359)	(644,476)
Total non-derivatives	(44,321)	(42,550)	(797,011)	(883,882)	(1,169,793)
At 31 December 2013					
Non-derivatives					
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)
Subordinated Notes	(7,363)	(7,363)	(199,175)	(213,900)	(155,000)
Borrowings	(43,946)	(37,520)	(505,414)	(586,880)	(495,257)
Total non-derivatives	(53,635)	(44,882)	(704,589)	(803,107)	(1,151,045)

The redeemable preference shares accrue interest annually and the principal and interest are redeemable at the earlier of a change of control or 10 years from September 2011.

At balance date, the Group has available approximately \$46.5 million (2013: \$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 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.

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

3.4 Fair value

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

At both December 2014 and June 2014, the group's assets and liabilities measured and recognised at fair value comprised the interest rate swap derivative contracts. These are defined as level 2 measurements under the hierarchy.

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

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 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(b).

4.2 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.

4.3 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 2014

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 segments which are organised and managed separately according to the nature of the customers they service, with each segment offering different products and serving different markets. The committee reviews each of the operating segments down to contribution.

Post recent acquisitions the previously reported segments have been revised to reflect the new reporting structure. Comparatives have been restated for this change.

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

There are no significant transactions between segments.

5.2 Reporting Segments

FY 2014					
	SME Solutions \$'000	Practice Solutions \$'000	Enterprise Solutions \$'000	Corporate (incl. R&D) \$'000	Total \$'000
(a) Revenue					
Segment revenue	180,355	79,360	27,384	126	287,225
(b) Other profit and loss disclosures					
Direct materials / Royalties / Reseller Commissions	12,068	1,403	7,087	-	20,558
Staff related expenses	35,996	16,983	6,810	34,291	94,080
Other operating expenses	9,712	4,133	1,464	18,809	34,118
Contribution	122,579	56,841	12,023	(52,974)	138,469
Depreciation and amortisation (refer note 7 (a))					70,973
Other expenses (refer note 7 (c))					27,891
Finance costs					138,309
(Loss) before tax					(98,704)

(c) Revenue by Country

	Australia \$'000	New Zealand \$'000	Total \$'000
Segment revenue	243,380	43,845	287,225

(d) Information on major customers

Revenues from transactions with a single customer in no case exceeded 10% of MYOB Group sales in 2014.

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

5 SEGMENT INFORMATION (continued)

(e) Non-Current Assets by Country

	Australia \$'000	New Zealand \$'000	Asia \$'000	Total \$'000
Property, plant and equipment	12,907	2,654	101	15,662
Intangible assets & goodwill	1,164,028	75,220	-	1,239,248
Investments	10,525	-	-	10,525
Total	1,187,460	77,874	101	1,265,435

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

FY 2013

	SME Solutions \$'000	Practice Solutions \$'000	Enterprise Solutions \$'000	Corporate (incl. R&D) \$'000	Total \$'000
(a) Revenue					
Segment revenue	149,481	77,071	19,893	106	246,551
(b) Other profit and loss disclosures					
Direct materials / Royalties / Reseller Commissions	9,669	1,288	6,256	-	17,213
Staff related expenses	27,191	15,939	3,935	33,467	80,532
Other operating expenses	10,010	4,013	971	12,942	27,936
Contribution	102,611	55,831	8,731	(46,303)	120,870
Depreciation and amortisation (refer note 7 (a))					64,965
Other expenses (refer note 7 (c))					14,668
Interest					117,271
(Loss) before tax					(76,034)

(c) Revenue by Country

	Australia \$'000	New Zealand \$'000	Total \$'000
Segment revenue	215,315	31,236	246,551

(d) Information on major customers

Revenues from transactions with a single customer in no case exceeded 10% of MYOB Group sales in 2013.

(e) Non-Current Assets by Country

	Australia \$'000	New Zealand \$'000	Asia \$'000	Total \$'000
Property, plant and equipment	12,306	1,650	229	14,185
Intangible assets & goodwill	1,180,352	85,519	-	1,265,871
Total	1,192,658	87,169	229	1,280,056

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

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

6 REVENUE

	2014 \$'000	2013 \$'000
Sales revenue		
Revenue from sale of goods	20,044	23,178
Revenue from services	267,181	223,373
	287,225	246,551

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

7 EXPENSES

	2014 \$'000	2013 \$'000
(a) Depreciation of non-current assets		
Plant and equipment	2,545	2,448
Leasehold improvements	1,206	1,105
Total depreciation of non-current assets	3,751	3,553
Amortisation of non-current assets		
Customer relationships	23,024	23,199
Commercialised software	32,509	30,251
Inhouse software	6,480	5,608
Acquired brands	3,978	-
Acquired intellectual property	1,231	2,354
Total amortisation of non-current assets	67,222	61,412
Total depreciation and amortisation	70,973	64,965
(b) Staff related expenses		
Salaries and wages	67,585	58,247
Annual and long service leave	7,374	7,573
Superannuation	5,905	5,257
Bonuses and commissions	7,602	4,947
Management shares	1,072	1,002
Staff costs other than employee benefits	4,542	3,506
Total employee expenses	94,080	80,532
(c) Other expenses		
One-off costs	9,560	7,181
Growth projects	9,893	1,100
Integration costs	2,355	2,044
Management fee	2,500	2,399
Redundancy / Restructuring costs	2,595	2,510
(Gain) / Loss on sale of investment	500	(566)
Loss on disposal of assets	488	-
Total other expenses	27,891	14,668
(d) Finance cost		
Interest expense on senior debt	37,584	38,015
Debt transaction costs amortised	5,957	7,224
Debt transaction costs written off	13,271	-
Interest expense on subordinated notes	14,508	15,468
Interest expense on redeemable preference shares and loan notes	68,757	60,918
Total interest expense	140,077	121,625
(e) Rental expense relating to operating leases		
Minimum lease payments - operating lease	3,728	3,503
Total rental expense	3,728	3,503

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

8 INCOME TAX EXPENSE

	2014 \$'000	2013 \$'000
(a) Income tax expense		
Current tax	2,661	3,473
Deferred tax	(29,320)	(23,533)
Adjustments for current tax of prior periods	(470)	(896)
Income tax (benefit)	<u>(27,129)</u>	<u>(20,956)</u>
Deferred income tax (benefit) included in income tax expense comprises:		
(Increase) in deferred tax assets	(21,844)	(18,647)
(Decrease) in deferred tax liabilities	<u>(7,476)</u>	<u>(4,886)</u>
	<u>(29,320)</u>	<u>(23,533)</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) from operations before income tax	(98,704)	(76,034)
Tax benefit at the Australian tax rate of 30% (2013 - 30%)	(29,611)	(22,810)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Amortisation of intangibles	-	1,677
Entertainment, legal fees and management shares	320	494
Research and development concession*	(695)	(1,008)
Thin capitalisation - over geared non-deductible debt deductions	2,878	1,396
Non-deductible transaction costs	394	495
Sale of MYOB Australia E1 (capital gains are offset by capital losses)	-	(117)
Sundry items	<u>16</u>	<u>(60)</u>
	2,913	2,877
Difference in overseas tax rate	39	(127)
Adjustments for current tax of prior periods	<u>(470)</u>	<u>(896)</u>
Income tax (benefit)	<u>(27,129)</u>	<u>(20,956)</u>

* Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduced income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward.

(c) Tax (income) relating to items of other comprehensive income

Cash flow hedges	(807)	(765)
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(d) Tax losses

Unused capital tax losses for which no deferred tax asset has been recognised	<u>6,425</u>	<u>6,321</u>
Potential tax benefit @ 30%	<u>1,928</u>	<u>1,896</u>

All unused tax losses relate to capital losses incurred by the Australian Tax Consolidated group.

Movement in capital losses:

Opening balance	6,321
Adjustment - tax return for year ended 31 December 2013	<u>104</u>
Closing balance	<u>6,425</u>

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

	2014 \$'000	2013 \$'000
9 CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	5,044	17,210
Short Term deposits	-	35,268
	5,044	52,478

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	10,954	9,184
Allowance for impairment	(754)	(330)
	10,200	8,854
Other receivables	1,943	1,291
	12,143	10,145

(a) Impaired Trade Receivables

As at 31 December 2014 current trade receivables of the Group with a nominal value of \$754,000 (2013—\$330,000) 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	-	-
3 to 6 months	134	75
over 6 months	620	255
	754	330

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

Opening balance - 1 January	330	360
Provision for impairment recognised during the year	479	164
Receivables written off during the year as uncollectible	(72)	(205)
Adjustments (incl. currency)	17	11
Closing balance - 31 December	754	330

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 2014

10 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (continued)

	2014 \$'000	2013 \$'000
Past due but not impaired		
As at 31 December 2014, trade receivables of \$1.7 million (2013 - \$2.4 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	1,319	1,925
over 3 months	421	452
	1,740	2,377

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	869	391
Provision for obsolescence	(27)	(10)
	842	381

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

	2014 \$'000	2013 \$'000
12 CURRENT ASSETS - OTHER CURRENT ASSETS		
Funds held on behalf of customers	4,481	3,138
Prepayments	5,559	4,907
Redeemable preference shares advance*	203,000	-
Other	493	22,386
	<u>213,533</u>	<u>30,431</u>

*On 20 February 2015 the board of the Parent approved a selective buyback of Redeemable preference shares to the value of \$203 million out of refinancing completed during the year. Based on that approval the accounts reflect a current MRPS advance receivable and an offsetting current MRPS liability.

13 CURRENT ASSETS - CURRENT TAX RECEIVABLES		
Income tax refundable	2,149	-
Withholding tax	26	2
	<u>2,175</u>	<u>2</u>

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

14 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	2014			
	Leasehold Improvement \$'000	Plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
Year ended 31 December 2014				
At 1 January 2014, net of accumulated depreciation and impairment	7,191	3,676	3,318	14,185
Additions	1,410	1,559	2,098	5,067
Net assets acquired through business combination	-	612	-	612
Assets written off/disposed	-	(791)	(2)	(793)
Transfer in/(out) from WIP	223	5,098	(5,321)	-
Net foreign currency movements arising from foreign operations	98	157	87	342
Depreciation charge for the year	(1,206)	(2,545)	-	(3,751)
At 31 December 2014, net of accumulated depreciation	7,716	7,766	180	15,662
At 1 January 2014				
Cost or fair value	7,916	10,214	3,318	21,448
Accumulated depreciation and impairment	(725)	(6,538)	-	(7,263)
Net carrying amount	7,191	3,676	3,318	14,185
At 31 December 2014				
Cost or fair value	9,454	14,484	180	24,118
Accumulated depreciation and impairment	(1,738)	(6,718)	-	(8,456)
Net carrying amount	7,716	7,766	180	15,662

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

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

	2013			
	Leasehold Improvement \$'000	Plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
Year ended 31 December 2013				
At 1 January 2013,				
net of accumulated depreciation and impairment	1,210	3,553	3,433	8,196
Additions	3,238	373	5,091	8,703
Net assets acquired through business combination	-	1,493	-	1,493
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	7,191	3,676	3,318	14,185
At 1 January 2013				
Cost or fair value	3,510	31,286	3,433	38,229
Accumulated depreciation and impairment	(2,300)	(27,733)	-	(30,034)
Net carrying amount	1,210	3,553	3,433	8,196
At 31 December 2013				
Cost or fair value	7,916	10,214	3,318	21,448
Accumulated depreciation and impairment	(725)	(6,538)	-	(7,263)
Net carrying amount	7,191	3,676	3,318	14,185

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

15 NON-CURRENT ASSETS - INTANGIBLE ASSETS & GOODWILL

	2014					
	Brands	Customer Relationship	Commercialised Software	Goodwill	Inhouse Software	Acquired IP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2014						
At 1 January 2014, net of accumulated amortisation	125,393	124,227	184,032	809,710	21,509	1,000
Additions	-	-	-	-	12,316	1,231
Additions through Business combinations	1,125	4,641	2,590	15,432	-	-
Amortisation	(3,978)	(23,024)	(32,509)	-	(6,480)	(1,231)
Net foreign currency movements arising from foreign operations	-	659	70	2,596	(61)	-
At 31 December 2014, net of accumulated amortisation	122,540	106,503	154,183	827,738	27,284	1,000
At 1 January 2014						
Cost (gross carrying amount)	125,393	178,736	250,299	809,710	32,680	5,709
Accumulated amortisation and impairment	-	(54,509)	(66,267)	-	(11,171)	(4,709)
Net carrying amount	125,393	124,227	184,032	809,710	21,509	1,000
At 31 December 2014						
Cost (gross carrying amount)	126,518	184,168	253,018	827,738	44,955	2,231
Accumulated amortisation and impairment	(3,978)	(77,665)	(98,835)	-	(17,671)	(1,231)
Net carrying amount	122,540	106,503	154,183	827,738	27,284	1,000

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

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

	2013					
	Brands	Customer Relationship	Commercialised Software	Goodwill	Inhouse Software	Acquired IP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2013						
At 1 January 2013,						
net of accumulated amortisation	112,500	126,460	194,484	739,871	18,932	2,354
Additions	-	-	-	-	8,185	1,000
Additions through Business combinations	12,893	20,168	19,799	58,229	-	-
Divested	-	-	-	(2,850)	-	-
Amortisation	-	(23,199)	(30,251)	-	(5,608)	(2,354)
Net foreign currency movements arising from foreign operations	-	798	-	14,460	-	-
At 31 December 2013,						
net of accumulated amortisation	125,393	124,227	184,032	809,710	21,509	1,000
At 1 January 2013						
Cost (gross carrying amount)	112,500	157,463	230,500	739,871	24,496	4,708
Accumulated amortisation and impairment	-	(31,003)	(36,016)	-	(5,564)	(2,354)
Net carrying amount	112,500	126,460	194,484	739,871	18,932	2,354
At 31 December 2013						
Cost (gross carrying amount)	125,393	178,736	250,299	809,710	32,680	5,709
Accumulated amortisation and impairment	-	(54,509)	(66,267)	-	(11,171)	(4,709)
Net carrying amount	125,393	124,227	184,032	809,710	21,509	1,000

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

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 CGU-level summary of the allocation is presented below.

	SME Solutions \$'000	Practice Solutions \$'000	Enterprise Solutions \$'000	Total \$'000
<i>Identified intangibles:</i>				
Brands	79,930	28,246	14,365	
Commercialised software/copyright	108,379	43,344	2,460	
Customer relationships	39,930	62,091	4,482	
Internally generated software	12,141	8,146	6,998	
Acquired Intellectual property	-	-	1,000	
Goodwill	521,696	207,823	98,217	
Total Intangibles	762,076	349,650	127,521	1,239,248

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 eight-year period. Cash flows beyond the eight-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

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

Nominal discount rate (post tax)	11.25% (Nominal discount rate (pre tax) is 14.6%)
Terminal growth rate	2.50%
Cost to sell	1.00%

Nominal discount rate (post tax) is MYOB's WACC.

Terminal growth rate is the expected industry growth rate.

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

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

Management used forecast revenue for 2015 per CGU to allocate goodwill and intangible assets that were not easily identifiable to a CGU.

(d) Brands

The MYOB brand (\$112.5 million) is considered to have an indefinite useful life, as the longevity of the brand is not considered to be dissimilar to the MYOB business. MYOB continues to make the required investment to preserve key brand characteristics, including market position and reputation. However, the acquired brands of BankLink and PayGlobal (\$14.0 million) are being amortised over their perceived useful life of 5 years.

(e) Impact of possible changes to key assumptions:

The recoverable amount of the intangible assets in the Practice Solutions segment is approximately equal to the carrying value at 31 December 2014. Therefore, any significant change in key assumptions will result in an impairment to the intangible assets.

The recoverable amount of the intangible assets in the Enterprise Solutions segment exceeds the carrying value at 31 December 2014. An increase of 1.45% in the post tax discount rate of 11.25% does not result in an impairment of intangible assets at 31 December 2014. This change would be considered a reasonably possible change to key assumptions.

The recoverable amount of the intangible assets in the SME segment exceeds the carrying value at 31 December 2014. No reasonably possible change in assumptions would lead to an impairment at 31 December 2014.

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

16 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	2014 \$'000	2013 \$'000
Net deferred tax asset	31,590	16,076
Comprising:		
Deferred tax asset	71,877	50,746
Offset by Deferred tax (liability)	(40,287)	(34,670)
	31,590	16,076
(a) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Tax losses (carried forward)	38,716	26,218
Employee benefits	3,047	2,812
Intangibles - Commercialised Software	20,774	13,219
Intangibles - MYOB Brand	1,395	1,396
	63,932	43,646
Other:		
Unearned Revenue	1,382	1,103
Accruals	1,446	760
Doubtful Debts	225	97
Make good provision	510	774
Provision for stock obsolescence	8	3
Fixed assets	101	254
Borrowing costs	833	761
Swap revaluation	229	1,036
Loan notes interest not deductible	2,328	2,049
Foreign exchange and FBT	745	65
Business related costs	138	197
	7,945	7,100
Total deferred tax assets	71,877	50,746
Deferred tax assets expected to be recovered within 12 months	11,392	7,958
Deferred tax assets expected to be recovered after more than 12 months	60,485	42,788
	71,877	50,746

Movements	Tax losses \$'000	Employee Benefits \$'000	Intangible assets \$'000	Other \$'000	Total \$'000
At 31 December 2013	26,218	2,812	14,616	7,099	50,746
(Charged)/credited					
- to profit or loss	12,498	140	7,553	1,653	21,844
- to other comprehensive income / (loss)	-	-	-	(807)	(807)
- acquired through business combinations	-	95	-	-	95
At 31 December 2014	38,716	3,047	22,169	7,945	71,877

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

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

			2014 \$'000	2013 \$'000
(b) Deferred tax liability				
The balance comprises temporary differences attributable to:				
Customer Relationships			31,668	31,652
Amortisable brands (Banklink and PayGlobal)			3,012	-
Capitalised Product Development			4,606	2,336
In house software			979	678
			<u>40,264</u>	<u>34,666</u>
Other				
Prepayments			23	4
			<u>23</u>	<u>4</u>
Total deferred tax liabilities			<u>40,287</u>	<u>34,670</u>
Deferred tax liabilities expected to be settled within 12 months			23	4
Deferred tax liabilities expected to be settled after more than 12 months			<u>40,264</u>	<u>34,666</u>
			<u>40,287</u>	<u>34,670</u>
Movements				
	Intangible assets \$'000	In house software \$'000	Other \$'000	Total \$'000
At 31 December 2013	33,988	678	4	34,670
(Charged)/credited				
- to profit or loss	(7,794)	300	19	(7,475)
- acquired through business combinations	13,092	-	-	13,092
At 31 December 2014	<u>39,286</u>	<u>978</u>	<u>23</u>	<u>40,287</u>

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

17 NON-CURRENT ASSETS - INVESTMENTS

	2014 \$'000	2013 \$'000
Kounta Holdings Pty Limited	2,315	-
ProjectX, International Limited	8,210	-
	10,525	-

Kounta Holdings Pty Limited

On 21 May 2014 MYOB Acquisition Pty Limited purchased 1,678,571 ordinary shares, made up of 250,000 shares from an existing shareholder (\$315,000) and 1,428,571 new shares (\$2,000,000) of Kounta Holdings Pty Limited. MYOB holds 26.11% of the total shares on issue.

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

ProjectX, International Limited

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

ProjectX, International Limited develops the software (Acumatica). Acumatica is the platform that MYOB's new cloud based ERP, MYOB Advanced, is based on. MYOB Advanced Business is in general release and MYOB Advanced People will release in 2H 2015. This investment allows MYOB to be involved in the ongoing development of the platform.

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

	2014 \$'000	2013 \$'000
18 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade creditors	4,409	2,088
Sundry creditors	10,864	6,101
Accrued expenses	8,570	6,871
	<u>23,843</u>	<u>15,060</u>

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

Sundry creditors includes a \$4.5 million (2013 - \$3.1 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.

	2014 \$'000	2013 \$'000
19 CURRENT LIABILITIES - CURRENT TAX PAYABLE		
Income tax payable	-	1,338
	<u>-</u>	<u>1,338</u>

20 CURRENT LIABILITIES - INTEREST-BEARING LOANS AND BORROWINGS

	Maturity	2014 \$'000	Maturity	2013 \$'000
Secured bank loan	2014	25,000	2013	42,285
Redeemable preference shares (Refer note 12)		203,000		-
Less: debt transaction costs		(4,063)		(7,282)
		<u>223,937</u>		<u>35,003</u>

MYOB Group also has a \$49 million (2013: \$48.1 million) revolving working capital facility. This facility is currently unutilised except for supporting \$2.5 million of letters of credit provided to landlords of certain properties leased by the Group.

The Group's \$645 million (2013: \$495 million) bank debt is provided by a Syndicate of banks with the largest holding being just over 16%.

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 2014

	2014 \$'000	2013 \$'000
21 CURRENT LIABILITIES - PROVISIONS		
Employee entitlements	8,961	8,852
Property dilapidation	350	210
	9,311	9,062

(a) Property dilapidation

MYOB Group 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 2014	210
Currency	-
Additional provision recognised	-
Payments on exit of leases	(110)
Transfers from non-current provision pending exit of leases	250
Carrying amount at end of year – 31 December 2014	350

	2014 \$'000	2013 \$'000
22 CURRENT LIABILITIES - UNEARNED REVENUE		
Unearned revenue	40,125	38,839

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.

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

23 CURRENT LIABILITIES - DERIVATIVE FINANCIAL INSTRUMENTS

	2014 \$'000	2013 \$'000
Interest rate swap / caps and collars	762	3,453
Total current derivative financial instrument liabilities	762	3,453

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 - cash flow hedges

In accordance with its risk management objective and strategy, MYOB Group 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 (caps and collars). Prior year hedging instruments were interest rate swaps.

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 2017. 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 2017. 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 2014

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

	Maturity	2014 \$'000	Maturity	2013 \$'000
Secured bank loan	2017	619,476	2016	452,972
Redeemable preference shares		136,194		298,031
Loan notes	2018	227,675	2018	200,430
Subordinated Notes	2017	155,000	2017	155,000
Less: debt transaction costs		<u>(7,349)</u>		<u>(14,006)</u>
		<u>1,130,996</u>		<u>1,092,427</u>

Refer note 3 & 20 for further commentary

MYOB refinanced on 25 September 2014 to obtain more favourable pricing and more flexible terms.

The MYOB Group Ltd board approved a selective buyback of Redeemable preference shares to the value of \$203 million out of that refinancing. To reflect this approval, \$203 million of Redeemable preference shares has been moved to current liabilities.

The Subordinated Notes interest rate is a 6.70% margin on top of BBSY, set quarterly in advance.

The Loan Notes interest rate is 14% and is only payable on maturity date.

The MYOB Group of companies are in the process of investigating a range of potential changes to the funding structure.

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

25 NON-CURRENT LIABILITIES - PROVISIONS	2014 \$'000	2013 \$'000
Employee entitlements	1,313	872
Property dilapidation	1,872	2,055
Rent incentive	1,531	1,714
	4,716	4,641

(a) Property dilapidation

MYOB Group 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 2014	2,055
Currency	17
Additional provision recognised	-
Recognise make good for fit outs	50
Net transfers between current and non current	(250)
Carrying amount at end of year – 31 December 2014	1,872

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

26 CONTRIBUTED EQUITY

	2014 \$'000	2013 \$'000
(a) Issued and paid up capital		
354,770,807 Fully paid Ordinary shares (2013 - 354,072,053)	330,928	354,072
	<u>330,928</u>	<u>354,072</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.

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

(b) Movement in shares on issue

	2014		2013	
	No. shares Thousands	\$'000	No. shares Thousands	\$'000
Beginning of the financial year	354,072	354,072	353,317	353,317
- issued during the year	822	822	809	809
- share buy-back	(123)	(123)	(54)	(54)
- return of capital	-	(23,843)	-	-
End of the financial year	<u>354,771</u>	<u>330,928</u>	<u>354,072</u>	<u>354,072</u>

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

27 RETAINED EARNINGS AND RESERVES

	Note	2014 \$'000	2013 \$'000
(a) Movements in retained earnings were as follows:			
Balance 1 January		(171,799)	(116,721)
Net (Loss)		(71,575)	(55,078)
Balance 31 December		(243,374)	(171,799)

(b) Reserves

Foreign translation reserves

Balance 1 January	7,390	1,020
Translation of overseas controlled entities	(484)	6,370
Balance 31 December	6,906	7,390

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record gains and losses on net investments in foreign operations.

Cash flow hedge reserve

Balance 1 January	(1,989)	(4,282)
Change in fair value of cash flow hedges	1,457	2,293
Balance 31 December	(532)	(1,989)

Cash flow hedge reserve

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

Management shares reserve

Balance 1 January		2,072	1,070
Expensed for the period	33	1,072	1,002
Balance 31 December		3,144	2,072
Total Reserves		9,518	7,473

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

28 KEY MANAGEMENT PERSONNEL

28.1 Details of Key Management Personnel

(a) Directors

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

Serge Walid Sarkis resigned from the board on 31st December 2014. Neil Kalvelage and Richard Moore resigned from the board on 13th March 2015.

(b) Senior Executives

James Scollay	General Manager - SME Solutions
Andrew Birch	General Manager - Industry Solutions (Practice and Enterprise)
Adam Ferguson	General Manager - Engineering and Experience
John Moss	Chief Strategy Officer

Post recent acquisitions the previously reported senior executives have been revised to reflect new reporting structures. The below executives were removed from the senior executive team during the year.

Ben Ross	General Manager - Design and user experience
Caroline Ruddick	General Manager - Group Marketing
Simon Raik-Allen	Chief Technology Officer

28.2 Key management personnel compensation

	2014 \$'000	2013 \$'000
Short-term employee benefits	3,305	3,642
Post-employment benefits	141	217
Long-term benefits	59	63
Share-based payments	602	638
	4,107	4,561

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 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
Directors of MYOB Group Limited				
Ordinary Shares				
Timothy Reed	6,452,895	-	-	6,452,895
Richard Moore	122,912	-	61,456	184,368
Other key management personnel of the group				
Ordinary Shares				
James Scollay	276,552	-	-	276,552
Andrew Birch	1,106,211	-	-	1,106,211
Adam Ferguson	1,766,864	-	-	1,766,864
John Moss	768,202	-	-	768,202
Ben Ross (#)	-	-	-	-
Caroline Ruddick (#)	-	-	-	-
Simon Raik-Allen (#)	-	-	-	-

(#) Ben Ross, Caroline Ruddick and Simon Raik-Allen have been removed from the senior executive team in 2014 to reflect new reporting structures.

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

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 2014 MYOB Group Ltd issued an additional 2.2 million management "A" shares (funded via a non-recourse loan of \$0.2 million), of which 0.5 million management "A" shares relate to key management personnel (funded via a non-recourse loan of \$0.05 million).

In 2013 MYOB Group 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 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 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 liability	8,818,866	38,544	1,239,966	10,097,376

(*) Includes compounded and accrued interest. Ben Ross, Caroline Ruddick and Simon Raik-Allen have been removed from opening balance to reflect new reporting structures.

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

29 REMUNERATION OF AUDITORS

	2014 \$	2013 \$
The auditor of MYOB Group 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	281,502	275,813
• other services in relation to the entity and any other entity in the consolidated entity		
- Project related	344,400	114,347
- Tax advisory	5,100	22,500
	<u>631,002</u>	<u>412,660</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	49,500	42,280
	<u>680,502</u>	<u>454,940</u>

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

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:

	2014 \$'000	2013 \$'000
Within one year	5,406	5,366
After one year but not more than five years	18,042	20,810
More than five years	8,038	7,025
	31,486	33,201

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 2014

31 RELATED PARTY TRANSACTIONS

(a) Parent entity

The parent entity within the Group is MYOB Group Limited. The ultimate controlling entity (foreign resident) is Bain Capital Abacus Holdings L.P which at 31 December 2014 owns 95% (2013 – 95%) of the issued ordinary shares of MYOB Group Limited.

(b) Subsidiaries

	Country of Incorporation	Percentage owned (%)	
		2014	2013
Parent Entity:			
MYOB Group Limited	Australia		
Controlled entities of MYOB Group Limited:			
MYOB Holdings Pty Ltd	Australia	100	100
MYOB Acquisition Pty Ltd	Australia	100	100
MYOB 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	100
Banklink Limited	New Zealand	100	100
PayGlobal Limited	New Zealand	100	-
MYOB Australia Pty Ltd	Australia	100	100
MYOB Technology Pty Ltd	Australia	100	100
Solution 6 Pty Ltd	Australia	100	100
Banklink Pty Ltd	Australia	100	100
PayGlobal Pty Ltd	Australia	100	-
MYOB Asia Sdn Bhd	Malaysia	100	100
In Liquidation			
ACN 086 760 303 Pty Ltd	Australia	100	100
ACN 124 847 712 Pty Ltd	Australia	100	100
Cayman Holdings Ltd	Caymans	100	100
Liquidation complete			
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 133 878 001 Pty Ltd	Australia	100	100
ACN 135 572 486 Pty Ltd	Australia	100	100
ACN 003 264 006 Pty Ltd	Australia	100	100
The Accountants Toolbox Limited	New Zealand	100	100
MYOB Mexico	Mexico	100	100

(c) Subsidiaries incorporated

None

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

31 RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with other related parties

Management fees including out of pocket expenses amounting to \$2.5 million were paid to Bain Capital Partners LLC, our ultimate 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 to / from related parties

Bain Capital Partners LLC 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.

During the year a \$192.9 million was advanced to Bain Capital Partners LLC. This receivable is a Redeemable preference share advance (refer note 12).

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

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

	2014 \$'000	2013 \$'000
Reconciliation of Net (Loss) after Income Tax with Cash Flow from Operations:		
Net (loss) for the period	(71,575)	(55,078)
Cash flows excluded from operating (loss) attributable to operating activities:		
Non-cash flows in operating (loss)		
- Loss on disposal of Property, Plant and Equipment	481	12
- Amortisation / depreciation	70,973	64,759
- Accrued Interest expense (incl. amortisation of debt raising costs)	87,403	66,030
- Accrued specific items / management fees	930	602
- FX on foreign denominated transactions	879	(1,176)
- Management shares	1,072	1,002
- Gain on sale of MYOB Australia E1 Pty Ltd	-	(566)
- Group Tax transfer	(27,193)	(20,952)
Changes in assets and liabilities, net of the effects of the purchase and disposal of subsidiaries:		
- Movement in trade and term debtors	194	1,978
- Movement in other financial assets	(1,344)	199
- Movement in prepayments / other assets	(1,093)	(269)
- Movement in inventories	(482)	28
- Movement in trade creditors and accruals	2,791	(2,287)
- Movement in provisions	694	1,613
- Movement in income taxes payable	(3,263)	(793)
- Movement in unearned revenues	(2,104)	(5,128)
Cash Flows from operations	58,363	49,974

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

33 SHARE-BASED PAYMENTS

(a) Management shares

In 2011, MYOB Group 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 Limited. The share based payment expense in relation to the scheme is recognised in MYOB Australia Pty Ltd, a subsidiary of MYOB Group Limited, on a pro-rata basis over the 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:

	2014 number of shares	2013 number of shares
Opening balance	42,597	39,614
Number issued	2,165	4,330
Adjustment to prior year	722	-
Number bought back	(736)	(1,347)
Closing balance	44,748	42,597

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:

	2014 \$'000	2013 \$'000
Share based payments expense in relation to Management "A" Shares	(1,072)	(1,002)

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

34 BUSINESS COMBINATION

MYOB Finance NZ Limited (Fin NZ) acquired 100% of shares in PayGlobal Limited (PGNZ) on 31 August 2014 for NZD \$15.376 million (AUD\$13.746 million). PGNZ held 100% shares in an Australian subsidiary, PayGlobal Pty Limited (PGAU).

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

	\$'000
Purchase consideration	13,746
Total purchase consideration	13,746

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

	Fair value \$'000
Cash and cash equivalents	3,644
Property, plant and equipment	612
Receivables / Prepayments	2,094
Payables	(1,639)
Unearned revenue	(3,580)
Net deferred tax liability	(2,139)
	(1,008)
 Add: Goodwill	 6,398
Intellectual property - Brand	1,125
Intellectual property - Customer Relationships	4,641
Intellectual property - Commercialised Software	2,590
	13,746

(i) Transaction costs

Transaction costs of \$0.25 million have been expensed in the period in relation to business combination.

(ii) Revenue contribution

The acquired business contributed revenue of \$5.6 million to the group for the period from 1 September 2014 to 31 December 2014. (Had the business been held for the full year the estimated revenue would have been \$17 million).

Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2014

35 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2014 \$'000	2013 \$'000
Balance Sheet		
Current Assets	203,086	40,862
Non-current Assets	541,399	708,590
Total Assets	744,485	749,452
Current Liabilities	7	-
Non-current Liabilities	566,869	498,461
Total Liabilities	566,876	498,461
Net Assets	177,609	250,991
Shareholders' equity		
Issued Capital	330,928	354,072
Retained earnings	(153,319)	(103,081)
Total Equity	177,609	250,991
(Loss) for the year	(50,237)	(41,002)
Total comprehensive (loss)	(50,237)	(41,002)

(b) Contingent liabilities of the parent entity

There are no contingent liabilities or contingent assets as at 31 December 2014.

From time to time, the Company is a party to litigation, claims and other contingencies which arise in the ordinary course of business. The Company records a contingent liability when it is probable that a loss has been incurred and the amount of loss is reasonably estimable in accordance with applicable accounting standards.

36 EVENTS AFTER THE BALANCE SHEET DATE

Buy-back of Redeemable preference shares

On 20 February 2015 the board of the Parent approved a selective buyback of Redeemable preference shares to the value of \$203 million out of refinancing completed during the year. Based on that approval the accounts reflect a current MRPS advance receivable and an offsetting current MRPS liability.

Change in company name

On 17 March 2015, MYOB Group Pty Limited was converted to an unlisted public company. Part of this process included a change of name for the company to MYOB Group Limited, formerly MYOB Group Pty Limited.

Settlement of Loan note liability

On 12 March 2015 MYOB Group Limited signed an agreement stating that the Company must, and is entitled to, redeem the Redeemed Notes (Referred to as Loan Notes per note 24) by paying to the Noteholders an aggregate amount of AUD292,500,000 (the "Redemption Price") within 3 business days of the date of completion of an initial public offering of its shares (or similar equity securities) and listing on the Australian Securities Exchange of any member of the Group (the "Redemption Date"), such amount to be paid to the Noteholders pari passu and rateably according to the number of Redeemed Notes held by each Noteholder. This agreement will terminate and be null and void if no initial public offering occurs on or before 30 June 2015.

Issue of management shares

On 20 March 2015 MYOB Group Limited issued management the remaining 3,363,016 unallocated 'A' shares, funded by a non-recourse loan of \$363,000. 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.



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

Report on the financial report

We have audited the accompanying financial report of MYOB Group Limited (the company), which comprises the consolidated balance sheet as at 31 December 2014, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for MYOB Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion

In our opinion:

- (a) the financial report of MYOB Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of MYOB Group Limited (the consolidated entity) for the year ended 31 December 2014 may be included on MYOB Group Limited's web site. The entity's directors are responsible for the integrity of MYOB Group Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

A stylized, handwritten signature of PricewaterhouseCoopers.

PricewaterhouseCoopers

A handwritten signature of Chris Dodd.

Chris Dodd
Partner

Melbourne
30 March 2015