



**MYOB Finance Australia Limited  
ACN 161 013 654**

**Registered office: 12 Wesley Court, Burwood East, VIC 3151**

28 February 2013

Market Announcements Office  
ASX Limited

**MYOB Holdings Pty Limited – financial report for the year ended 31 December 2012**

We attach the MYOB Holdings Pty Limited Financial Report for the year ended 31 December 2012.

As a result of its listing on the ASX, MYOB Finance Australia Limited is required to lodge with the ASX, the annual and half-yearly financial reports of MYOB Holdings Pty Limited, the parent company of MYOB Finance Australia Limited and its controlled entities for the period.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ian Boylan', is written over a light grey horizontal line.

Ian Boylan  
Company Secretary  
MYOB Finance Australia Limited

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## **MYOB Holdings Pty Ltd**

ACN 152 570 431

### **Financial Report**

### **FOR THE YEAR ENDED 31 DECEMBER 2012**

*2012 period is full 12 months of operations*

*2011 period is 3 months of operating results, MYOB business acquired as at the 1st October 2011 (company incorporated 9th August 2011)*

# Contents

	Page
<b>Directors' report</b>	1
<b>Financial statements</b>	
Consolidated income statement	13
Consolidated statement of comprehensive income	14
Consolidated balance sheet	15
Consolidated statement of changes in equity	16
Consolidated statement of cash flows	17
<b>Notes to the consolidated financial statements:</b>	
1 Corporate information	18
2 Summary of significant accounting policies	18
2.1 Basis of preparation	18
2.2 Basis of consolidation	21
2.3 Segment reporting	21
2.4 Business combinations	21
2.5 Foreign currency translation	22
2.6 Cash and cash equivalents	22
2.7 Trade and other receivables	22
2.8 Inventories	23
2.9 Investments and other financial assets	23
2.10 Property, plant and equipment	23
2.11 Goodwill	23
2.12 Intangible assets	24
2.13 Impairment of intangibles and PPE	25
2.14 Trade and other payables	25
2.15 Interest-bearing loans and borrowings	25
2.16 Borrowing costs	25
2.17 Provisions	25
2.18 Employee benefits	26
2.19 Leases	26
2.20 Revenue	26
2.21 Income tax	27
2.22 Other taxes	28
2.23 Derivative financial instruments and hedging	28
2.24 Contributed equity	29
2.25 Share-based payments	29
2.26 Parent entity financial information	29
3 Financial risk management	30
4 Critical accounting estimates and judgements	33
5 Segment information	34
6 Revenue	36
7 Expenses	37
8 Income tax expense	38
9 Current assets – Cash and cash equivalents	39
10 Current assets – Trade and other receivables	39
11 Current assets – Inventories	40
12 Current assets – Other current assets	41
13 Current assets – Current tax receivables	41
14 Non-current assets – Derivative financial instruments	42
15 Non-current assets – Property, plant and equipment	43
16 Non-current assets – Intangible assets and goodwill	45
17 Current liabilities – Trade and other payables	48
18 Current liabilities – Interest bearing loans and borrowings	48
19 Current liabilities – Provisions	49
20 Current liabilities – Unearned revenue	49
21 Current liabilities – Derivative financial instruments	50
22 Non-current liabilities – Payables	51
23 Non-current liabilities – Interest-bearing loans and borrowings	51
24 Non-current liabilities – Deferred tax liabilities	52
25 Non-current liabilities – Provisions	54
26 Contributed equity	55
27 Retained earnings and reserves	56
28 Key management personnel disclosures	57
29 Remuneration of auditors	58
30 Commitments and contingencies	59
31 Related party transactions	60
32 Deed of cross guarantee	62
33 Reconciliation of profit after income tax to net cash inflow from operating activities	64
34 Share-based payments	65
35 Parent entity financial information	66
36 Events after the balance sheet date	66
<b>Auditors' report</b>	67

## DIRECTORS' REPORT

The directors present their report on MYOB Holdings Pty Limited (formerly known as Bain Capital Abacus Holding Pty Limited) and the entities it controlled for the year ended 31 December 2012.

MYOB Holdings Pty Limited is a company limited by shares, incorporated on August 9<sup>th</sup>, 2011.

### DIRECTORS

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

Craig Boyce  
Serge Walid Sarkis  
Michael Ward  
Timothy Reed

Neil Kalvelage and Richard Moore were appointed 6<sup>th</sup> February 2012 and 25<sup>th</sup> June 2012 respectively and continue in office at the date of this report.

### PRINCIPAL ACTIVITIES

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

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

### DIVIDENDS – MYOB HOLDINGS PTY LIMITED

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

### REVIEW OF OPERATIONS

For the 12 months ended 31 December 2012 MYOB Holdings Pty Limited reported operating revenue from continuing operations of \$218.1 million (2011 period: \$48.8 million). MYOB Holdings Pty Limited's profit from continuing operations before income tax, other expenses, depreciation and amortisation was \$102.2 million (2011 period: \$24.7 million)

### SIGNIFICANT CHANGES IN STATE THE OF AFFAIRS

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

On 1 October 2011, MYOB Acquisition Pty Limited, a subsidiary of MYOB Holdings Pty Limited, acquired the MYOB business.

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

There are no matters or circumstances that have arisen since 31 December 2012 that have significantly affected, or may significantly affect:

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

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

### ENVIRONMENTAL REGULATION

There are no significant environmental regulations that apply.

# DIRECTORS' REPORT

## INFORMATION ON DIRECTORS

### CRAIG BOYCE (NON-EXECUTIVE DIRECTOR)

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

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

Craig joined Bain Capital in 1998 and is a Managing Director. He leads Bain Capital's South East Asia and 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***

None

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

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

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

He joined Bain Capital in 1997 and is a Managing Director. He was the founder of Bain Capital's European business and leads its South East Asia and Australian business. He has been involved in managing a number of key investments by funds advised by Bain Capital in addition to MYOB, including Novacap, SigmaKalon, FCI, Boart Longyear, Shoppers Drug Mart, Ideal Standard, Toys R Us. Before joining Bain Capital, he was a consultant at the Boston Consulting Group, providing strategic and operational advice to companies in the consumer products and industrial good sectors.

He 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***

None

### MICHAEL WARD (NON-EXECUTIVE DIRECTOR)

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

Michael Ward became a director of a number of companies within the MYOB Group at about the time when funds advised by Bain Capital acquired MYOB.

Michael joined Bain Capital in 2003. He is a Managing Director and Bain Capital's Chief Operating Officer and Chief Financial Officer. Previously he was global head of Bain Capital's Portfolio Group. Prior to joining Bain Capital, Michael worked at Digitas for five years and was responsible for day-to-day management as President and Chief Operating Officer, among other roles. Prior to Digitas, Michael spent four years with Bain & Company and nine years with Price Waterhouse.

Michael has an MBA from The Amos Tuck School of Business Administration. He earned a BS in Accounting and Finance and a BAS in Chemical Engineering from the University of Pennsylvania.

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

None

## 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*

None

### 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

### 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*

None

### COMPANY SECRETARY

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

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

## DIRECTORS' REPORT

### MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors held during the year end 31 December 2012, and the numbers of meetings attended by each director were:

Directors	Full meetings of directors	
	Attended	Held/ Eligible
Craig Boyce	6	7
Serge Walid Sarkis	4	7
Michael Ward	2	7
Neil Kalvelage (#)	3	6
Timothy Reed	6	7
Richard Moore (^)	5	5

(#) Neil was appointed as director 6/2/2012

(^) Richard was appointed as director 25/6/2012

MYOB Holdings Pty Limited's ultimate Australian parent entity (MYOB Group Pty Ltd) has an Audit Committee, Remuneration Committee and Nomination Committee, all of which cover the MYOB Holdings Group operations. Disclosure of the activities of these committees will be included in MYOB Group Pty Limited's accounts.

# DIRECTORS' REPORT

## REMUNERATION REPORT

The directors are pleased to present the 2012 remuneration report which sets out remuneration information for MYOB Holdings Pty Limited's non-executive directors, executive directors and other key management personnel.

### *Directors and key management personnel disclosed in this report*

Name	Position
Non-executive and executive directors - see above	
<i>Other key management personnel</i>	
Adam Ferguson	General Manager - Accountants Division
Andrew Birch	General Manager - Enterprise Division
Ben Ross	General Manager - Design and user experience
Caroline Ruddick	General Manager - Group Marketing
James Scollay	General Manager - Business Division
John Moss	Chief Strategy Officer
Simon Raik-Allen	Chief Technology Officer
Suzanne Damms *	General Manager - Group Marketing
Simon Martin ^	Chief Financial Officer

\* Suzanne Damms terminated employment on 25/01/2012.

^ Simon Martin terminated employment on 24/02/2012.

There have been no changes since the end of the reporting period.

### **Non-executive director remuneration policy**

#### *Directors' fees*

Directors do not directly receive performance-based pay as such fees are not paid to non-executive directors, to sit on or chair the board, from MYOB Holdings Pty Limited. However, an indicative value has been estimated for the purposes of these accounts.

Base fee (estimated)	
Non-executive directors	\$ 25,000

Non-executive directors are not entitled to retirement allowances.

### **Executive remuneration policy and framework**

In determining executive remuneration, the board aims to ensure that remunerations practices are:

- competitive and reasonable, enabling the company to attract and retain key talent
- aligned to the company's strategic and business objectives and the creation of enterprise value
- transparent, and
- acceptable to investors.

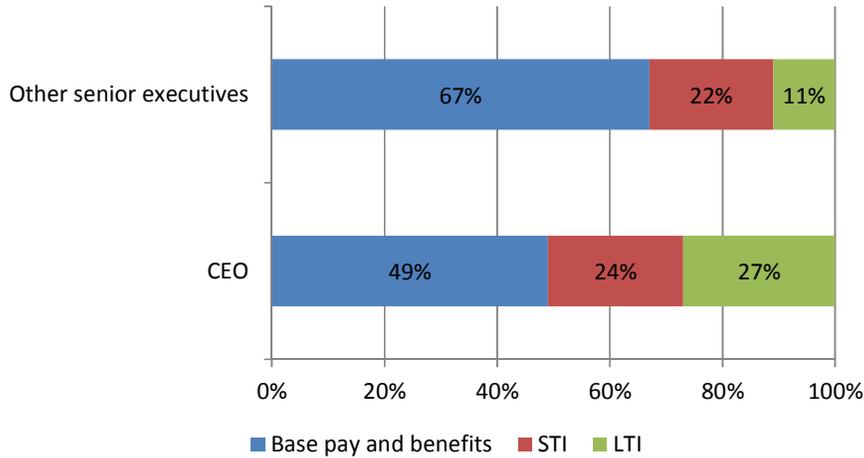
The executive remuneration framework has three components:

- base pay and benefits, including superannuation
- short-term performance incentives, and
- long-term incentives through a share based payment scheme in MYOB Group Pty Limited (ultimate Australian parent entity).

# DIRECTORS' REPORT

## Executive remuneration mix

In accordance with the company's objective to ensure that executive remuneration is aligned to company performance, a significant portion of the executives' target pay is "at risk". The following chart sets out the executives' target remuneration mix:-



## Base pay and benefits

Executives receive their base pay and benefits structured as a total employment cost (TEC) package which is set to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market.

There is no guaranteed base pay increases included in the executives' contracts. Executives do not receive any additional benefits.

## Superannuation

Superannuation contributions on behalf of staff are made at the local statutory rate.

## Short-term incentives

Executives have the opportunity to earn an annual short-term incentive (STI) if predefined targets are achieved. The CEO has a maximum STI opportunity of 125% of TEC and other members of the executive team have a maximum STI opportunity of between 62.5% and 112.5% of TEC.

The STI program is to link achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in light of market practice and total remuneration.

Actual STI payments granted to an executive depend on the extent to which specific operating targets set at the beginning of the period are met. The operational targets consist of a number of key performance indicators covering financial measures of performance. Typically included are measures of company profit result (earnings before interest, tax, depreciation and amortisation) only, or combination of company profit result and revenue targets. The Group has predetermined benchmarks which must be met in order to trigger payments under the STI scheme.

## Long-term incentives

Long-term incentives are provided to certain employees via a management share based payment scheme (NB: held as an interest in the ultimate Australian parent entity – MYOB Group Pty Limited). These shares do not carry voting rights but allow holders to participate in a cash distribution upon an exit by the ultimate owners (Bain Capital), subject to performance and service conditions.

The management share based payment 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

## DIRECTORS' REPORT

discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

### Share trading policy

The trading of shares through the management share based payment scheme (NB: held as an interest in the ultimate Australian parent entity – MYOB Group Pty Limited) is prohibited.

### Use of remuneration consultants

No remuneration consultants have been used in the year.

### Details of remuneration

The following tables show details of the remuneration received by the directors and the key management personnel of the group for the current year and last quarter of the prior financial year.

Name	Short-term employee benefits			Post-employment benefits	Long-term Benefits		Total
	Cash salary and fees	Cash bonus ~	Non-Monetary benefits	Superannuation	Long service leave	Share-based payments	
<i>Non-executive Directors</i>							
Craig Boyce ^	25,000	-	-	-	-	-	25,000
Serge Walid Sarkis ^	25,000	-	-	-	-	-	25,000
Michael Ward ^	25,000	-	-	-	-	-	25,000
Neil Kalvelage ^	25,000	-	-	-	-	-	25,000
<b>Sub-total non executive directors</b>							<b>100,000</b>
<i>Executive Directors</i>							
Timothy Reed	580,000	65,716	-	25,000	17,498	338,000	1,026,214
Richard Moore ^^	285,841	23,185	-	18,389	686	78,000	406,100
<i>Other key management</i>							
Adam Ferguson	293,256	65,495	-	26,393	10,114	88,400	483,658
James Scollay **	232,591	8,198	19,800	20,933	571	45,500	327,594
Andrew Birch	293,250	116,583	-	26,393	4,343	69,550	510,118
Ben Ross *	76,453	5,710	41,685	6,881	-	-	130,728
Caroline Ruddick ***	192,778	34,292	-	19,150	473	28,600	275,294
John Moss	288,750	17,094	-	25,987	13,433	48,100	393,365
Simon Raik-Allen	229,363	13,578	-	20,643	1,297	43,290	308,170
Suzanne Damms	10,371	-	-	1,371	-	-	11,742
Simon Martin #	55,328	-	-	3,910	19,115	-	78,353
<b>Total key management personnel compensation (group)</b>							<b>4,051,337</b>

^ As directors do not directly receive performance-based pay an indicative value has been estimated for the purposes of these accounts based on the proportion of the management fee paid to Bain Capital that would potentially relate to these services.

^^ Richard Moore commenced as a Director from 25 June 2012. Salary information provided is from employment start date of 10 April 2012, as he was considered key management personnel from this date.

~ STI Bonus for 2011 was paid in March 2012. This is shown in the 2011 remuneration table (below). STI Bonus for 2012 is yet to be paid. Provision is included in 2012 remuneration table (above).

\* At the time of this report Ben Ross has been employed less than 6 months, therefore is not considered for the long service leave entitlement calculation. Non-monetary benefits in the form of relocation expenses \$41,685 have been incurred and paid during the 2012 year.

\*\* Non-monetary benefits in the form of relocation expenses of \$19,800 have been paid in the 2012 year.

\*\*\* Caroline Ruddick cash bonus includes a \$20,000 bonus unrelated to STI.

# An adjustment was made in January 2012 to the expense, recognising prior years of service.

## DIRECTORS' REPORT

2011 Name	Short-term employee benefits		Post-employment benefits	Long-term Benefits	Total
	Cash salary and fees	Cash bonus ~	Superannuation	Long service leave	
<i>Non-executive Directors</i>					
Craig Boyce ^	6,250				6,250
Serge Sarkis ^	6,250				6,250
Michael Ward ^	6,250				6,250
					-
<b>Sub-total non executive directors</b>					<b>18,750</b>
<i>Executive Directors</i>					
Timothy Reed *	145,000	-	6,250	3,904	155,154
Richard Moore	-	-	-	-	-
<i>Other key management</i>					
Adam Ferguson	72,188	8,712	6,497	2,077	89,473
James Scollay	-	-	-	-	-
Andrew Birch	73,313	4,995	6,598	373	85,278
Ben Ross	-	-	-	-	-
Caroline Ruddick	-	-	-	-	-
John Moss	72,187	-	6,497	951	79,636
Simon Raik-Allen	55,000	-	4,950	275	60,225
Suzanne Damms	55,023	-	4,952	1,583	61,558
Simon Martin	82,059	-	3,834	3,142	89,035
<b>Total key management personnel compensation (group)</b>					<b>639,110</b>

All figures are provided for the 3 months 1/10/11 to 31/12/2012.

^ As directors do not directly receive performance-based pay an indicative value has been estimated for the purposes of these accounts based on the proportion of the management fee paid to Bain Capital that would potentially relate to these services, for the period 1 October 2011 to 31 December 2011.

\* Commenced as director 30 September 2011. Salary information provided from 1 October 2011.

~ STI Bonus for 2011 was physically paid in March 2012 and is shown in the 2011 remuneration table (above).

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration	At risk - STI	At risk - LTI *
	2012	2012	2012
<b>Executive directors of MYOB Group Pty Limited</b>			
Timothy Reed	59%	7%	34%
Richard Moore	75%	6%	19%
<b>Other key management personnel of the group</b>			
Adam Ferguson	67%	14%	19%
James Scollay	82%	3%	15%
Andrew Birch	63%	23%	14%
Ben Ross	94%	6%	0%
Caroline Ruddick	83%	6%	11%
John Moss	83%	4%	13%
Simon Raik-Allen	82%	4%	14%

\* Since the long-term incentives are provided by way of share based payments, which allow holders to participate in a cash / share distribution upon an exit by the ultimate owners (Bain Capital), the percentages disclosed reflect the value expensed during the year.

### Service agreements

All service agreements for executives are unlimited in term but may be terminated by written notice from either party or by the employing entity within the Group making a payment in lieu of notice. The service agreements outline the components of the remuneration paid to executives and require the remuneration of executives to be reviewed annually. The service agreements do not require the Group to increase base salary, pay a short term incentive, make termination payments or offer a long term incentive in any given year.

In the event of retrenchment, the executives listed in the table below are entitled to the written notice or payment in lieu of notice as provided in their service agreement. The employment of the executives may be terminated without notice or payment in lieu of notice in some circumstances. Generally, this could occur where the executive:

## DIRECTORS' REPORT

- is charged with a criminal offence that is capable of bringing the organisation into disrepute;
- is declared bankrupt;
- breaches a provision of their employment agreement;
- is guilty of serious and wilful misconduct; or
- unreasonably fails to comply with any material and lawful direction given by the company.

All executives are required to agree to a restraint of trade clause post employment to ensure that valuable knowledge and experience is not accessed by competitors through poaching staff. All executives are entitled to STI payments based on performance against key performance indicators.

The table below sets out the key employment terms for key management personnel:

Name of Executive	Term of agreement	Notice period	
		Company	Employee
<b>Executive Director</b>			
Timothy Reed	On-going	12 months	3 months
Richard Moore	On-going	3 months	3 months
<b>Current Executives</b>			
Adam Ferguson	On-going	3 months	3 months
James Scollay	On-going	3 months	3 months
Andrew Birch	On-going	3 months	3 months
Ben Ross	On-going	3 months	3 months
Caroline Ruddick	On-going	3 months	3 months
John Moss	On-going	3 months	3 months
Simon Raik-Allen	On-going	3 months	3 months

### INSURANCE OF OFFICERS

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

### INDEMNITY OF AUDITORS

MYOB Holdings Pty Limited does not indemnify the auditors.

### NON-AUDIT SERVICES

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

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

The board of directors has considered the position and, in accordance with advice received from the Board, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, 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 Board 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 11.

## DIRECTORS' REPORT

### 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.

### TAX CONSOLIDATION

MYOB Holdings Pty Limited and its 100% owned Australian subsidiaries are part of a tax consolidated group, the head of the tax consolidated group being MYOB Group Pty Ltd.

### 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 Holdings Pty Limited



**Richard Moore**  
Director  
MYOB Holdings Pty Limited

Dated at Melbourne this 25<sup>th</sup> day of February 2013

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## Auditor's Independence Declaration

As lead auditor for the audit of MYOB Holdings Pty Ltd for the year ended 31 December 2012, 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 Holdings Pty Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Chris Dodd', is written over a faint, large watermark that says 'For personal use only'.

Chris Dodd  
PricewaterhouseCoopers

25 February 2013

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
*Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001*  
*T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au*

Liability limited by a scheme approved under Professional Standards Legislation.

## DIRECTORS' REPORT

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

1. In the opinion of the directors:

- (a) The financial statements and notes of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2012 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 members of the Closed Group identified in note 32 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



**Tim Reed**  
Director  
MYOB Holdings Pty Limited



**Richard Moore**  
Director  
MYOB Holdings Pty Limited

Melbourne, 25<sup>th</sup> of February 2013

# Consolidated income statement

FOR THE PERIOD ENDED 31 DECEMBER 2012

	Note	2012 (12 months) \$'000	2011 (3 months) \$'000
<b>Revenue</b>	6	218,123	48,771
Staff related expenses	7(b)	(73,120)	(15,406)
General office / administration		(21,019)	(5,278)
Direct materials		(5,002)	(1,243)
Royalties		(2,608)	(453)
Reseller commissions		(5,899)	(1,163)
Marketing expenses		(8,266)	(499)
Other expenses	7(c)	(8,581)	(17,028)
Depreciation and amortisation expenses	7(a)	(63,131)	(15,612)
Interest received		870	294
Finance cost	7(d)	(53,347)	(13,827)
<b>(Loss) from operations before income tax</b>		(21,980)	(21,444)
Income tax benefit / (expense)	8	7,203	(18,421)
<b>(Loss) from operations after income tax</b>		(14,777)	(39,865)
(Loss) for the period is attributable to:			
Owners of the parent		(14,777)	(39,865)

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

2011 expenses have been re-categorised to provide better analysis / comparisons for the reader.

# Consolidated statement of comprehensive income

FOR THE PERIOD ENDED 31 DECEMBER 2012

	2012 (12 months) \$'000	2011 (3 months) \$'000
<b>(Loss) from operations after income tax</b>	<b>(14,777)</b>	<b>(39,865)</b>
<b>Other comprehensive income / (loss)</b>		
Foreign currency translation	1,558	(538)
Change in fair value of cash flow hedges	(4,811)	529
<b>Other comprehensive (loss) for the period, net of tax</b>	<b>(3,253)</b>	<b>(9)</b>
<b>Total comprehensive (loss) for the period</b>	<b>(18,030)</b>	<b>(39,874)</b>
Total comprehensive (loss) for the period is attributable to:		
Owners of the parent	<b>(18,030)</b>	<b>(39,874)</b>

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

# Consolidated balance sheet

AS AT 31 DECEMBER 2012

	Note	2012 \$'000	2011 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	5,268	9,718
Trade and other receivables	10	6,406	6,854
Inventories	11	409	373
Other current assets	12	8,496	6,650
Current tax receivables	13	175	162
<b>Total current assets</b>		<u>20,754</u>	<u>23,757</u>
<b>Non-current Assets</b>			
Property, plant and equipment	15	5,938	5,851
Intangible assets & goodwill	16	1,195,291	1,243,298
Derivative financial instruments	14	-	756
<b>Total non-current assets</b>		<u>1,201,229</u>	<u>1,249,906</u>
<b>TOTAL ASSETS</b>		<u>1,221,983</u>	<u>1,273,663</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	17	20,891	13,100
Interest-bearing loans and borrowings	18	4,412	15,432
Unearned revenue	20	43,318	45,575
Provisions	19	8,340	8,332
Derivative financial instruments	21	6,850	-
<b>Total current liabilities</b>		<u>83,811</u>	<u>82,439</u>
<b>Non-current Liabilities</b>			
Non-current payables	22	34	173,576
Interest-bearing loans and borrowings	23	558,729	484,747
Deferred tax liabilities	24	22,741	37,966
Provisions	25	1,143	2,120
<b>Total non-current liabilities</b>		<u>582,647</u>	<u>698,409</u>
<b>TOTAL LIABILITIES</b>		<u>666,458</u>	<u>780,848</u>
<b>NET ASSETS</b>		<u>555,525</u>	<u>492,815</u>
<b>EQUITY</b>			
Contributed equity	26 (a)	612,359	532,689
Retained earnings	27 (a)	(54,642)	(39,865)
Reserves	27 (b)	(2,192)	(9)
<b>TOTAL EQUITY</b>		<u>555,525</u>	<u>492,815</u>

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

# Consolidated statement of changes in equity

FOR THE PERIOD ENDED 31 DECEMBER 2012

	Note	Issued capital \$'000	Foreign currency translation reserve \$'000	Cash flow hedge reserve \$'000	Management shares reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>At 1 January 2012</b>		532,689	(538)	529	-	(39,865)	492,815
(Loss) for the period		-	-	-	-	(14,777)	(14,777)
Other comprehensive income / (loss) (net of tax)		-	1,558	(4,811)	-	-	(3,253)
<b>Total comprehensive income / (loss) for the period</b>		-	<b>1,558</b>	<b>(4,811)</b>	-	<b>(14,777)</b>	<b>(18,030)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Management share scheme		-	-	-	1,070	-	1,070
Conversion of debt to equity		173,248	-	-	-	-	173,248
Shares bought-back		(93,578)	-	-	-	-	(93,578)
<b>At 31 December 2012</b>	26/27	<b>612,359</b>	<b>1,020</b>	<b>(4,282)</b>	<b>1,070</b>	<b>(54,642)</b>	<b>555,525</b>
<b>At 9 August 2011</b>							
(Loss) for the period		-	-	-	-	(39,865)	(39,865)
Other comprehensive income / (loss) (net of tax)		-	(538)	529	-	-	(9)
<b>Total comprehensive income / (loss) for the period</b>		-	<b>(538)</b>	<b>529</b>	-	<b>(39,865)</b>	<b>(39,874)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Issue of share capital		532,689	-	-	-	-	532,689
<b>At 31 December 2011</b>	26/27	<b>532,689</b>	<b>(538)</b>	<b>529</b>	-	<b>(39,865)</b>	<b>492,815</b>

# Consolidated statement of cash flows

FOR THE PERIOD ENDED 31 DECEMBER 2012

	Note	2012 (12 months) \$'000	2011 (3 months) \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		216,054	41,444
Payments to suppliers and employees		(118,565)	(23,775)
Finance costs		(45,811)	(11,968)
Income tax received		74	-
Interest received		870	294
Management fees		(2,353)	(500)
Restructuring costs		(4,056)	(1,338)
<b>Net cash flows from operating activities</b>	33	<u>46,213</u>	<u>4,157</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(3,244)	(983)
Cash included in operations acquired		-	1,388
Capitalised internally generated software costs		(4,567)	(619)
Purchased intangible assets		(4,666)	-
Purchase MYOB Cayman Group		-	(686,801)
<b>Net cash flows used in investing activities</b>		<u>(12,477)</u>	<u>(687,015)</u>
<b>Cash flows from financing activities</b>			
Shares issued		-	532,689
Share buy-back		(93,578)	-
Debt raised		155,000	530,000
Increase in related party borrowings		1,766	-
Repayment of borrowings		(94,250)	(164,084)
Debt & Equity costs paid		(7,285)	(44,472)
Redeemable Preference Shares repaid		-	(161,546)
<b>Net cash flows from financing activities</b>		<u>(38,347)</u>	<u>692,587</u>
Net increase in cash and cash equivalents		(4,611)	9,729
Net foreign exchange differences		161	(11)
Cash and cash equivalents at beginning of period		9,718	-
<b>Cash and cash equivalents at end of period</b>	9	<u>5,268</u>	<u>9,718</u>

For non-cash financing activities refer to note 26 (a)

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 1 CORPORATE INFORMATION

The consolidated financial statements and notes represent those of MYOB Holdings Pty Ltd (parent) and its consolidated entities ("the Group"). The financial statements were authorised for issue on 25 February 2013 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: 12 Wesley Court Burwood East Vic Australia 3151.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

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

#### (i) Compliance with IFRS

The consolidated financial statements of the MYOB Holdings Pty Ltd 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

The company has adopted the following new and revised Accounting standards issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations. The adoption of these standards did not have any effect on the financial performance or position of the group.

- AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income (effective 1 July 2012)

In September 2011, the AASB made an amendment to AASB 101 Presentation of Financial Statements which requires entities to separate items presented in other comprehensive income in to two groups, based on where they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period.

# Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2012

(iii) Early adoption of standards

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2012 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below.

(a) AASB 2011-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early.

(b) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the company's accounting for its financial assets. The standard is not applicable until 1 January 2015 but is available for early adoption. The company is yet to assess its full impact and has not yet decided when to adopt AASB 9.

(c) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The company does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements.

(d) Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) and Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - (effective 1 January 2014 and 1 January 2013 respectively)

In December 2011, IASB made amendments to the application guidance in IAS 32 Financial Instruments: Presentation, to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from 1 January 2014. They are unlikely to affect the accounting for any of the entity's current offsetting arrangements.

(e) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) - (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements.

# Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2012

(iv) 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 parent entity and 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.

(v) 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.

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# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Basis of consolidation

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

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

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

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

### 2.3 Segment reporting

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

### 2.4 Business combinations

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

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

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

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Foreign currency translation

The functional and presentation currency of MYOB Holdings Pty Ltd 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	
New Zealand	New Zealand Dollar
Malaysia	Malaysian Ringgit

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

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

### 2.6 Cash and cash equivalents

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

### 2.7 Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debt more than 60 days overdue are considered objective evidence 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 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8 Inventories

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on an average cost basis, and
- Finished goods – cost of direct materials and labour, other direct costs and related production overheads.

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

### 2.9 Investments and other financial assets

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

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

### 2.10 Property, plant and equipment

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

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

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

\* Includes computer software / hardware and office machinery

\*\* Depreciated over the shorter of 3-5 years, or the life of the lease

The useful life for computer equipment / software was revised during the 2012 year from 2.5 to 3 years.

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

#### *Impairment*

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

#### *Derecognition*

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

### 2.11 Goodwill

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

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

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

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

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

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

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

### 2.12 Intangible assets

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

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

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

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

Research costs are expensed as incurred.

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

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

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

	Commercialised software	Internally generated software	Customer relationships	Intellectual Property
Method used	5 years- straight line	5 years- straight line	9.25 to 14.25 years- straight line	5 years- straight line
Internally generated/Acquired	Acquired	Internally generated	Acquired	Acquired
Impairment test/Recoverable amount testing	Tested annually only if there is an indication of impairment.			

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

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

### 2.14 Trade and other payables

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

### 2.15 Interest-bearing loans and borrowings

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

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

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

### 2.16 Borrowing costs

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

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

### 2.17 Provisions

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

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

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.18 Employee benefits

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

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

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

### 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.

#### ***Sale of goods (new and recurring software)***

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

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

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

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

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

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

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

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

#### ***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.

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.21 Income tax

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

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

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

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

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

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

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

#### **Tax consolidated Group**

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

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

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The funding amounts calculated under the tax funding agreement are determined 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 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 it will recognise either a current amount receivable or payable to the head entity of the Tax Group, being MYOB Group Pty Ltd.

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

### 2.22 Other taxes

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

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

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

### 2.23 Derivative financial instruments and hedging

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

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

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

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

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

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

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 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 Holdings Pty Limited provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for management 'A' shares. These shares are funded by a non-recourse loan. These shares do not carry voting rights but allow holders to participate in a cash / share 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 cash distribution is based upon the equity value of MYOB Group Pty Ltd. The share based payment expense in relation to the scheme is recognised in MYOB Australia Pty Ltd, a subsidiary of MYOB Holdings Pty Ltd, on a pro-rata basis over the expecting vesting period. The arrangement is treated as an equity settled expense as the obligation to settle resides with MYOB Group Pty Ltd.

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 Holdings Pty Ltd, disclosed in note 35 has been prepared on the same basis as the consolidated financial statements.

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 3 FINANCIAL RISK MANAGEMENT

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

The main risks arising from the Group's financial instruments are 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 2012, the group had the following exposure to various foreign currencies :

	New Zealand Dollars		Malaysian Ringgit	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Related party loans (AUD equivalent)	9,194	8,075	5,227	5,257

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date. As at 31 December 2012, had the Australian Dollar moved, with all other variables held constant, post tax profit and equity would have been affected as illustrated in the table below:

Judgements of reasonably possible movements:	Higher / (Lower)	
	2012	2011
	\$'000	\$'000
<b>Consolidated</b>		
AUD/NZD + 10%	919	808
AUD/NZD - 5%	(460)	(404)
AUD/MYR + 10%	523	526
AUD/MYR - 5%	(261)	(263)

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

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

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

The group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk if the borrowings are carried at fair value. Group policy is to maintain approximately 75% of its borrowings at fixed rate using interest rate swaps to achieve this. During 2012 and 2011, 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 2012

## 3 FINANCIAL RISK MANAGEMENT

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

	31 December 2012		31 December 2011	
	Balance \$000's	Weighted Average	Balance \$000's	Weighted Average
Bank Loans	436,254	7.75%	529,517	9.15%
Interest rate swaps	(356,301)	8.48%	(397,500)	8.47%
Net exposure to cash flow interest rate risk	<u>79,953</u>		<u>132,017</u>	

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

### (i) Sensitivity

At 31 December 2012, 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 \$800,000 higher/ lower (2011 changes of 100 bps: \$1,320,000 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:

	2012 \$'000	2011 \$'000
<b>Floating rate</b>		
-Expiring within one year (bank overdraft and bill facility)	-	-
-Expiring beyond one year (bank loans)	45,000	45,000
	<u>45,000</u>	<u>45,000</u>

MYOB has a \$50m 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 2012

## 3 FINANCIAL RISK MANAGEMENT

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

The risks implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originating from the financing of assets used in ongoing operations such as property plant and equipment and investments in working capital.

	Less than 6 months	6-12 months	1-5years	Total contractual cash flows	Carrying amount
<b>At 31 December 2012</b>					
<b>Non-derivatives</b>					
Related Party loans	8,196	-	-	8,196	8,196
Non interest bearing trade payables	11,057	-	-	11,057	11,057
Retail Notes	7,750	7,750	217,000	232,500	155,000
Borrowings	18,021	29,335	508,035	555,392	436,254
<b>Total non-derivatives</b>	<b>45,024</b>	<b>37,085</b>	<b>725,035</b>	<b>807,145</b>	<b>610,507</b>
<b>At 31 December 2011</b>					
<b>Non-derivatives</b>					
Related Party loans	-	-	173,515	173,515	173,515
Non interest bearing trade payables	11,050	-	-	11,050	11,050
Borrowings	29,687	110,397	555,392	695,476	529,666
<b>Total non-derivatives</b>	<b>40,737</b>	<b>110,397</b>	<b>728,907</b>	<b>880,041</b>	<b>714,231</b>

At balance date, the Group has available approximately \$45 million of unused credit facilities available for its immediate use.

### c) Covenant reporting

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

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

### 3.4 Fair value

All assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in applicable notes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the market interest rate that is available to the company for similar financial instruments.

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### 4.1 Unearned revenue includes recognition of bundle sales

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

### 4.2 Estimated impairment of goodwill

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

### 4.3 Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient taxable temporary differences are expected to reverse in a future period 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.

### 4.4 Make good provisions

A provision has been made for the value of anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with closure, removal of internal partitioning and general clean up. The calculation of this provision includes estimates around the current market cost per square metre to make good the premises. These estimates may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each location is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision. The related carrying amounts are disclosed in notes 19 & 25.

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 5 SEGMENT INFORMATION

### 5.1 Description of segments

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

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

There are no significant transactions between segments.

### 5.2 Reporting Segments

FY 2012 (12 months)

	Business Division \$'000	Accountants Division \$'000	Enterprise & Web Division \$'000	Corporate \$'000	Total \$'000
<b>(a) Revenue</b>					
Segment revenue	119,750	74,398	23,174	801	<b>218,123</b>
<b>(b) Other profit and loss disclosures</b>					
Direct materials / Royalties / Reseller Commissions	4,790	1,447	7,272	-	13,509
Staff related expenses	32,141	22,135	8,687	10,157	73,120
Other operating expenses	10,893	6,430	1,734	10,228	29,285
Contribution	71,926	44,386	5,481	(19,584)	102,209
Depreciation and amortisation					63,131
Other expenses					8,581
Finance costs					52,477
(Loss) before tax					<b>(21,980)</b>

### (c) Revenue by Country

	Aust \$'000	NZ \$'000	Total \$'000
Segment revenue	194,863	23,260	<b>218,123</b>

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 5 SEGMENT INFORMATION

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

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

### FY 2011 (3 months)

	Business Division \$'000	Accountants Division \$'000	Enterprise Division \$'000	Corporate \$'000	Total \$'000
<b>(a) Revenue</b>					
Segment revenue	26,506	16,989	5,046	230	<b>48,771</b>
<b>(b) Other profit and loss disclosures</b>					
Direct materials / Royalties / Reseller Commissions	1,100	246	1,513	-	2,859
Staff related expenses	6,719	4,837	1,775	2,075	15,406
Other operating expenses	1,251	1,273	450	2,803	5,777
Contribution	17,436	10,633	1,308	(4,648)	24,729
Depreciation and amortisation					15,612
Other expenses					17,028
Interest					13,533
(Loss) before tax					<b>(21,444)</b>

### (c) Revenue by Country

	Aust \$'000	NZ \$'000	Total \$'000
Segment revenue	43,294	5,477	<b>48,771</b>

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

	Aust \$'000	NZ \$'000	Asia \$'000	Total \$'000
Property, plant and equipment	5,072	640	141	5,853
Intangible assets & goodwill	1,207,010	36,287	-	1,243,297
<b>Total</b>	<b>1,212,082</b>	<b>36,927</b>	<b>141</b>	<b>1,249,150</b>

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 6 REVENUE

	2012 (12 months) \$'000	2011 (3 months) \$'000
<b>Sales revenue</b>		
Revenue from sale of goods	29,901	6,658
Revenue from services	187,421	41,588
Other	801	525
	<u>218,123</u>	<u>48,771</u>

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# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 7 EXPENSES

	2012 (12 months) \$'000	2011 (3 months) \$'000
<b>(a) Depreciation of non-current assets</b>		
Plant and equipment	2,727	826
Leasehold improvements	369	50
<b>Total Depreciation of non-current assets</b>	<b>3,096</b>	<b>876</b>
<b>Amortisation of non-current assets</b>		
Customer Relationship	24,324	6,512
Commercialised Software	28,813	7,203
Inhouse Software	4,543	1,021
Acquired Intellectual Property	2,355	-
<b>Total amortisation of non-current assets</b>	<b>60,035</b>	<b>14,736</b>
<b>Net depreciation and amortisation expensed to Income Statement</b>	<b>63,131</b>	<b>15,612</b>
<b>(b) Employee expenses</b>		
Salaries and wages	56,308	12,096
Annual and long service leave	6,328	1,375
Superannuation	4,446	1,025
Bonuses and commissions	3,096	445
Management shares	1,070	-
Staff costs other than employee benefits	1,872	465
<b>Total employee expenses</b>	<b>73,120</b>	<b>15,406</b>
<b>(c) Other expenses</b>		
Management fee	2,499	500
Redundancy costs	494	89
Consultants - three year strategic plan	1,443	-
Other costs	149	-
Professional fees	663	2,584
Restructuring costs	435	-
Liquidation Fees	-	75
Asset Write offs	-	278
Write off Debt raising costs	2,898	13,502
<b>Total other expenses</b>	<b>8,581</b>	<b>17,028</b>
<b>(d) Interest expense</b>		
Interest expense on senior debt	46,680	12,278
Debt transaction costs amortised	6,200	1,549
Interest expense on retail notes	467	-
<b>Total interest expense</b>	<b>53,347</b>	<b>13,827</b>
<b>(e) Rental expense relating to operating leases</b>		
Minimum lease payments - operating lease	4,976	1,223
<b>Total rental expense</b>	<b>4,976</b>	<b>1,223</b>

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 8 INCOME TAX EXPENSE

	2012 (12 months) \$'000	2011 (3 months) \$'000
<b>(a) Income tax expense</b>		
Current tax	7,085	36
Deferred tax	(13,197)	19,278
Adjustments for current tax of prior periods	(1,091)	(893)
Income tax (benefit) / expense	<u>(7,203)</u>	<u>18,421</u>
Deferred income tax (revenue) / expense included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	(7,479)	11,058
(Decrease) / increase in deferred tax liabilities	(5,718)	8,220
	<u>(13,197)</u>	<u>19,278</u>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
(Loss) from operations before income tax	(21,980)	(21,444)
Tax at the Australian tax rate of 30% (2011 - 30%)	(6,594)	(6,433)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Amortisation of intangibles	653	-
Entertainment, Legal fees and Management shares	469	40
Research and Development Concession	(663)	(208)
Derivative valuation not realised for tax	254	-
Non-deductible acquisition costs	-	3,586
Write off intangibles and other capital items	-	(990)
Adjustment for change in accounting approach - revenue bundles	-	(259)
Right to future income (RFI) adjustment	-	23,186
Sundry items	(292)	384
	<u>421</u>	<u>25,739</u>
Difference in overseas tax rate	61	8
Adjustments for current tax of prior periods	(1,091)	(893)
Income tax (benefit) / expense	<u>(7,203)</u>	<u>18,421</u>
<b>(c) Tax expense / (income) relating to items of other comprehensive income</b>		
Cash flow hedges	2,028	(268)
<b>(d) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	<u>5,974</u>	<u>5,967</u>
Potential tax benefit @30%	<u>1,792</u>	<u>1,790</u>

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

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

	2012 \$'000	2011 \$'000
<b>9 CURRENT ASSETS - CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	5,268	9,718

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	5,631	5,248
Allowance for impairment	(360)	(222)
	<u>5,271</u>	<u>5,026</u>
Other receivables	1,135	1,828
	<u>6,406</u>	<u>6,854</u>

### (a) Impaired Trade Receivables

As at 31 December 2012 current trade receivables of the Group with a nominal value of \$344,000 (2011 – \$218,000) were impaired. The amount of the provision was \$360,000 (2011 – \$222,000). 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	77	23
over 3 months	267	195
	<u>344</u>	<u>218</u>

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

Opening balance - 1 January (2011 - 1 October)	222	184
Provision for impairment recognised during the year	253	77
Receivables written off during the year as uncollectible	(123)	(39)
Adjustments (incl. currency)	8	-
Closing balance - 31 December	<u>360</u>	<u>222</u>

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 2012

	2012	2011
	\$'000	\$'000

## 10 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (continued)

### Past due but not impaired

As at 31 December 2012, trade receivables of \$2.3 million (2011 - \$3.6 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	1,917	3,183
over 3 months	428	407
	<u>2,345</u>	<u>3,590</u>

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

### (b) Other Receivables

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

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

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

### (d) Fair value and credit risk

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

## 11 CURRENT ASSETS - INVENTORIES

Raw materials (at cost)	365	334
Finished goods (at cost)	64	53
Provision for obsolescence	(20)	(14)
	<u>409</u>	<u>373</u>

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

	2012 \$'000	2011 \$'000
<b>12 CURRENT ASSETS - OTHER CURRENT ASSETS</b>		
Funds held on behalf of customers	3,336	2,939
Prepayments	4,776	2,916
Other	384	795
	<u>8,496</u>	<u>6,650</u>
<b>13 CURRENT ASSETS - CURRENT TAX RECEIVABLES</b>		
Income tax refundable	173	161
Withholding tax	2	1
	<u>175</u>	<u>162</u>

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# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 14 NON-CURRENT ASSETS - DERIVATIVE FINANCIAL INSTRUMENTS

	2012 \$'000	2011 \$'000
Interest rate swap	-	756
Total current derivative financial instrument assets	-	756

### Instruments used by the Group

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

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

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

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

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

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

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

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

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

	2012			
	Leasehold Improvement \$'000	Plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
<b>Year ended 31 December 2012</b>				
At 1 January 2012,				
net of accumulated depreciation and impairment	760	4,113	978	5,851
Additions	518	1,722	1,004	3,244
Assets written off	(37)	-	-	(37)
Transfer in/(out) from WIP	341	466	(807)	-
Net foreign currency movements arising from foreign operations	(3)	(21)	-	(24)
Depreciation charge for the year	(369)	(2,727)	-	(3,096)
At 31 December 2012,				
net of accumulated depreciation	<b>1,210</b>	<b>3,553</b>	<b>1,175</b>	<b>5,938</b>
<b>At 1 January 2012</b>				
Cost or fair value	5,013	28,238	978	34,229
Accumulated depreciation and impairment	(4,253)	(24,125)	-	(28,377)
Net carrying amount	760	4,113	978	5,851
<b>At 31 December 2012</b>				
Cost or fair value	3,510	31,286	1,175	35,972
Accumulated depreciation and impairment	(2,300)	(27,733)	-	(30,034)
Net carrying amount	<b>1,210</b>	<b>3,553</b>	<b>1,175</b>	<b>5,938</b>

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

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

	2011			
	Leasehold Improvement \$'000	Plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
<b>Period ended 31 December 2011</b>				
Opening balance at 9 August 2011	-	-	-	-
Net of accumulated depreciation and impairment acquired through business combination	823	4,525	801	6,149
Additions	3	362	619	984
Assets written off	(8)	(255)	(124)	(387)
Net foreign currency movements arising from foreign operations	(8)	(11)	-	(19)
Depreciation charge for the year	(50)	(826)	-	(876)
Transfer in/(out) from WIP	-	318	(318)	-
At 31 December 2011, net of accumulated depreciation	<b>760</b>	<b>4,113</b>	<b>978</b>	<b>5,851</b>
<b>At 9 August 2011</b>				
Cost or fair value	-	-	-	-
Accumulated depreciation and impairment	-	-	-	-
Net carrying amount	-	-	-	-
<b>At 31 December 2011</b>				
Cost or fair value	5,013	28,238	978	34,229
Accumulated depreciation and impairment	(4,253)	(24,125)	-	(28,377)
Net carrying amount	<b>760</b>	<b>4,113</b>	<b>978</b>	<b>5,851</b>

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

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

	2012						Total \$'000
	Brand	Customer Relationship	Commercialised Software	Goodwill	Inhouse Software	Acquired IP	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Year ended 31 December 2012</b>							
At 1 January 2012, net of accumulated amortisation	112,500	150,228	223,297	737,675	19,598	-	1,243,297
Additions	-	-	-	-	4,567	4,666	9,233
Amortisation	-	(24,324)	(28,813)	-	(4,543)	(2,355)	(60,035)
Net foreign currency movements arising from foreign operations	-	556	-	2,196	-	43	2,795
At 31 December 2012, net of accumulated amortisation	<b>112,500</b>	<b>126,460</b>	<b>194,484</b>	<b>739,871</b>	<b>19,622</b>	<b>2,354</b>	<b>1,195,291</b>
<b>At 1 January 2012</b>							
Cost (gross carrying amount)	112,500	156,740	230,500	737,675	20,619	-	1,258,034
Accumulated amortisation and impairment	-	(6,512)	(7,203)	-	(1,021)	-	(14,736)
Net carrying amount	112,500	150,228	223,297	737,675	19,598	-	1,243,297
<b>At 31 December 2012</b>							
Cost (gross carrying amount)	112,500	157,463	230,500	739,871	25,186	4,708	1,270,228
Accumulated amortisation and impairment	-	(31,003)	(36,016)	-	(5,564)	(2,354)	(74,937)
Net carrying amount	<b>112,500</b>	<b>126,460</b>	<b>194,484</b>	<b>739,871</b>	<b>19,622</b>	<b>2,354</b>	<b>1,195,291</b>

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

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

	2011						
	Brand	Customer Relationship	Commercialised Software	Goodwill	Inhouse Software	Acquired IP	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Period ended 31 December 2011</b>							
At 9 August 2011, net of accumulated amortisation	-	-	-	-	-	-	-
Additions through business combination	112,500	157,020	230,500	738,433	20,619	-	1,259,073
Amortisation	-	(6,512)	(7,203)	-	(1,021)	-	(14,736)
Net foreign currency movements arising from foreign operations	-	(280)	-	(759)	-	-	(1,039)
At 31 December 2011, net of accumulated amortisation	<b>112,500</b>	<b>150,228</b>	<b>223,297</b>	<b>737,675</b>	<b>19,599</b>	-	<b>1,243,298</b>
<b>At 9 August 2011</b>							
Cost (gross carrying amount)	-	-	-	-	-	-	-
Accumulated amortisation and impairment	-	-	-	-	-	-	-
Net carrying amount	-	-	-	-	-	-	-
<b>At 31 December 2011</b>							
Cost (gross carrying amount)	112,500	156,740	230,500	737,675	20,619	-	1,258,034
Accumulated amortisation and impairment	-	(6,512)	(7,203)	-	(1,021)	-	(14,736)
Net carrying amount	<b>112,500</b>	<b>150,228</b>	<b>223,297</b>	<b>737,675</b>	<b>19,598</b>	-	<b>1,243,298</b>

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

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

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

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

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

	Accountants Division \$'000	Business Division \$'000	Enterprise Division \$'000
Property, plant and equipment	2,033	3,272	633
Identified intangibles:			
Brand	38,513	61,990	11,997
Commercialised software/copyright	61,594	132,891	-
Customer relationships	82,523	43,938	-
Internally generated software	6,717	10,812	2,092
Acquired Intellectual property	-	2,354	-
Goodwill	253,285	407,687	78,898
Total	444,665	662,944	93,620

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

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

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

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

Management used the 2012 actual revenue per CGU to allocate goodwill and intangible assets that were not easily identifiable to a CGU. This basis was used to approximate the segmental revenue data that would have been available at the time of initial recognition of these assets.

### (d) Brand

The brand (\$112.5m) is considered to have an indefinite useful life, as the longevity of the brand is not considered to be dissimilar to the MYOB business. MYOB continues to make the required investment to preserve key brand characteristics, including market position and reputation.

## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

	2012 \$'000	2011 \$'000
<b>17 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES</b>		
Trade creditors	2,045	2,043
Sundry creditors	5,374	6,085
Accrued expenses	5,276	4,972
Related Party Payables	8,196	-
	<u>20,891</u>	<u>13,100</u>

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

Sundry creditors includes a \$3.3 million (2011 - \$2.9 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.

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

	Maturity	2012 \$'000	Maturity	2011 \$'000
Secured bank loan	2013	11,573	2012	21,625
Less: debt transaction costs		<u>(7,161)</u>		<u>(6,193)</u>
		<u>4,412</u>		<u>15,432</u>

MYOB Holdings Pty Ltd also has a \$50 million revolving working capital facility. This facility is currently unutilised except for supporting \$5.1 million of letters of credit provided to landlords of properties leased by the Group.

The Group's \$436 million bank debt is provided by a Syndicate of banks with the largest holding being just over 10%.

#### *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 2012

	2012 \$'000	2011 \$'000
<b>19 CURRENT LIABILITIES - PROVISIONS</b>		
Employee entitlements	6,973	6,787
Property dilapidation	1,367	507
Onerous leases	-	1,038
	<u>8,340</u>	<u>8,332</u>

## (a) Property dilapidation

MYOB Holdings Pty Ltd 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	Onerous leases \$'000
Carrying amount at start of year – 1 January 2012	507	1,038
Payment of onerous lease costs	-	(1,038)
Additional provision recognised	144	-
Payments on exit of leases	(391)	-
Transfers from non-current provision pending exit of leases	1,107	-
Carrying amount at end of year – 31 December 2012	<u>1,367</u>	<u>-</u>

	2012 \$'000	2011 \$'000
<b>20 CURRENT LIABILITIES - UNEARNED REVENUE</b>		
Unearned revenue	<u>43,318</u>	<u>45,575</u>

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

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 21 CURRENT LIABILITIES - DERIVATIVE FINANCIAL INSTRUMENTS

	2012 \$'000	2011 \$'000
Interest rate swap / caps and collars	6,850	-
Total current derivative financial instrument liabilities	6,850	-

Instruments used by the Group (refer note 14)

*Interest rate swap contracts - cash flow hedges (refer note 14)*

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## Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
<b>22 NON-CURRENT LIABILITIES - PAYABLES</b>		
Sundry creditors	34	61
Related party payables	-	173,515 *
	<u>34</u>	<u>173,576</u>

\* Refer note 26 for commentary on movement

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

	<u>Maturity</u>	<u>2012</u> <u>\$'000</u>	<u>Maturity</u>	<u>2011</u> <u>\$'000</u>
Secured bank loan	2016	424,681	2016	508,041
Retail Notes	2017	155,000		-
Less: debt transaction costs		<u>(20,952)</u>		<u>(23,294)</u>
		<u>558,729</u>		<u>484,747</u>

Refer note 3 & 18 for further commentary

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# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

	2012 \$'000	2011 \$'000
<b>24 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES</b>		
Net deferred tax liability	22,741	37,966
Comprising:		
Deferred tax liability	39,556	45,501
partly offset by Deferred tax asset	16,815	7,535
	<u>22,741</u>	<u>37,966</u>
<b>(a) Deferred tax assets</b>		
The balance comprises temporary differences attributable to:		
Tax losses (carried forward)	695	180
Employee benefits	2,390	2,283
	<u>3,085</u>	<u>2,463</u>
Other		
Unearned Revenue	963	990
Accruals	603	403
Doubtful Debts	106	65
Make good provision	438	479
Provision for stock obsolescence	3	-
Fixed assets	28	-
Intangibles (brand, commercialised software)	8,738	2,860
Borrowing costs	1,046	255
Swap revaluation	1,801	-
Foreign exchange and FBT	4	19
Sub-total other	<u>13,730</u>	<u>5,071</u>
Total deferred tax assets	16,815	7,534
Deferred tax assets expected to be recovered within 12 months	4,856	4,240
Deferred tax assets expected to be recovered after more than 12 months	11,959	3,295
	<u>16,815</u>	<u>7,535</u>

Movements	Tax losses \$'000	Employee Benefits \$'000	Other \$'000	Total \$'000
<b>At 9 August 2011</b>	-	-	-	-
(Charged)/credited				
- to profit or loss	180	(119)	(327)	(266)
- to other comprehensive income	-	-	(106)	(106)
- acquired through business combinations	-	2,402	5,505	7,907
<b>At 31 December 2011</b>	<u>180</u>	<u>2,283</u>	<u>5,072</u>	<u>7,535</u>
Credited				
- to profit or loss	515	107	6,857	7,479
- to other comprehensive income	-	-	1,801	1,801
<b>At 31 December 2012</b>	<u>695</u>	<u>2,390</u>	<u>13,730</u>	<u>16,815</u>

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# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

	2012 \$'000	2011 \$'000
<b>24 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES</b>		
<b>(b) Deferred tax liability</b>		
The balance comprises temporary differences attributable to:		
Intangible assets	39,160	45,073
In house software	378	78
	<u>39,538</u>	<u>45,151</u>
Other		
Prepayments	3	4
Receivables	15	2
Swap revaluation	-	227
Foreign exchange and FBT	-	118
Sub-total other	<u>18</u>	<u>351</u>
Total deferred tax liabilities	<u>39,556</u>	<u>45,502</u>
Deferred tax liabilities expected to be settled within 12 months	18	350
Deferred tax liabilities expected to be settled after more than 12 months	<u>39,538</u>	<u>45,151</u>
	<u>39,556</u>	<u>45,501</u>

Movements	Intangible assets \$'000	In house software \$'000	Other \$'000	Total \$'000
<b>At 9 August 2011</b>	-	-	-	-
(Charged)/credited				
- to profit or loss	(3,642)	78	1,078	(2,486)
- to other comprehensive income	-	-	(810)	(810)
- acquired through business combinations	48,715	-	82	48,797
<b>At 31 December 2011</b>	<u>45,073</u>	<u>78</u>	<u>350</u>	<u>45,501</u>
(Charged)/credited				
- to profit or loss	(5,913)	300	(105)	(5,718)
- to other comprehensive income	-	-	(227)	(227)
<b>At 31 December 2012</b>	<u>39,160</u>	<u>378</u>	<u>18</u>	<u>39,556</u>

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# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

25 NON-CURRENT LIABILITIES - PROVISIONS	2012 \$'000	2011 \$'000
Employee entitlements	1,008	905
Property dilapidation	135	1,215
	<u>1,143</u>	<u>2,120</u>

## (a) Property dilapidation

MYOB Holdings Pty Ltd 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 2012	1,215
Currency	27
Transfers to current provision pending exit of leases	<u>(1,107)</u>
Carrying amount at end of year – 31 December 2012	<u>135</u>

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# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 26 CONTRIBUTED EQUITY

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
<b>(a) Issued and paid up capital</b>		
612,358,716 Fully paid Ordinary shares (2011 - 532,689,184)	612,359	532,689
	<u>612,359</u>	<u>532,689</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.

In October 2012 MYOB Holdings Pty Ltd converted a \$173.2 million non-interest bearing debt to MYOB Group Pty Ltd into shares.

In December 2012, as part of the Retail Note issue, MYOB Holdings Pty Ltd bought back \$93.6 million shares.

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

### (b) Movement in shares on issue

	<b>2012</b>		<b>2011</b>	
	<u>No. shares</u> <u>Thousands</u>	<u>\$'000</u>	<u>No. shares</u> <u>Thousands</u>	<u>\$'000</u>
Beginning of the financial year	532,689	532,689	-	-
- issued during the year	-	-	532,689	532,689
- conversion of debt to equity	173,248	173,248	-	-
- share buy-back	(93,578)	(93,578)	-	-
End of the financial year	<u>612,359</u>	<u>612,359</u>	<u>532,689</u>	<u>532,689</u>

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 27 RETAINED EARNINGS AND RESERVES

(a) Movements in retained earnings were as follows:

	Note	2012 (12 months) \$'000	2011 (3 months) \$'000
<b>Balance 1 January (2011 - 1st October)</b>		(39,865)	-
Net (Loss)		<u>(14,777)</u>	<u>(39,865)</u>
<b>Balance 31 December</b>		<u><u>(54,642)</u></u>	<u><u>(39,865)</u></u>

(b) Reserves

### Foreign translation reserves

<b>Balance 1 January (2011 - 1st October)</b>		(538)	-
Translation of overseas controlled entities		<u>1,558</u>	<u>(538)</u>
<b>Balance 31 December</b>		<u><u>1,020</u></u>	<u><u>(538)</u></u>

### 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

<b>Balance 1 January (2011 - 1st October)</b>		529	-
Change in fair value of cash flow hedges		<u>(4,811)</u>	<u>529</u>
<b>Balance 31 December</b>		<u><u>(4,282)</u></u>	<u><u>529</u></u>

### 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

<b>Balance 1 January (2011 - 1st October)</b>		-	-
Expensed for the period	34	<u>1,070</u>	<u>-</u>
<b>Balance 31 December</b>		<u><u>1,070</u></u>	<u><u>-</u></u>

<b>Total Reserves</b>		<u><u>(2,192)</u></u>	<u><u>(9)</u></u>
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# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 28 KEY MANAGEMENT PERSONNEL

### 28.1 Details of Key Management Personnel

#### (a) Directors

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

#### (b) Executives

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

Suzanne Damms (General Manager - Group Marketing) and Simon Martin (Chief Financial Officer) resigned 25/01/2012 and 24/02/2012 respectively. They have been considered in key management personnel compensation.

### 28.2 Key management personnel compensation

	2012 (12 months) \$'000	2011 (3 months) \$'000
Short-term employee benefits	3,049	587
Post-employment benefits	195	40
Long-term benefits	68	12
Termination benefits	-	-
Share-based payments	739	-
	<u>4,051</u>	<u>639</u>

MYOB Holdings has applied the option to transfer key management personnel remuneration disclosures required by AASB 124 Related Party Disclosures paragraphs Aus 29.2 to Aus 29.7.2 to the Remuneration Report section of the Directors' report. These transferred disclosures have been audited.

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

None during the year.

### 28.4 Loans to key management personnel

None during the year.

### 28.5 Other transactions with key management personnel

None during the year.

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 29 REMUNERATION OF AUDITORS

	2012 \$	2011 \$
The auditor of MYOB Holdings Pty Ltd is PricewaterhouseCoopers		
<i>Amounts received or due and receivable by PricewaterhouseCoopers (Australia) for:</i>		
• an audit or review of the financial report of the entity and any other entity in the consolidated entity	155,000	123,000
• other services in relation to the entity and any other entity in the consolidated entity		
- Project related	759,255	103,606
- Tax advisory	42,800	-
	<u>957,055</u>	<u>226,606</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	38,000	36,325
• other services in relation to the entity and any other entity in the consolidated entity		
- Tax advisory	-	-
	<u>995,055</u>	<u>262,931</u>

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# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 30 COMMITMENTS AND CONTINGENCIES

### Operating lease commitments – Group as lessee

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

	<b>2012</b> <b>\$'000</b>	<b>2011</b> <b>\$'000</b>
Within one year	4,197	5,824
After one year but not more than five years	16,511	3,521
More than five years	10,089	313
	<u>30,797</u>	<u>9,658</u>

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.

### Contingent Liabilities and Contingent Assets

MYOB Holdings Pty Ltd has a contingent liability with respect to contingent consideration in the acquisition of MYOB Cayman Holdings Ltd and its controlled subsidiaries. The fair value of this contingent consideration has been included in the acquisition accounting entries recognised in the current period.

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 31 RELATED PARTY TRANSACTIONS

### (a) Parent entity

The parent entity within the group is MYOB Holdings Pty Limited. The ultimate Australian parent entity is MYOB Group Pty Limited which at 31 December 2012 owns 100% (2011 – 100%) of the issued ordinary shares of MYOB Holdings Pty Limited. The ultimate controlling entity (foreign resident) is Bain Capital Abacus Holdings L.P which at 31 December 2012 owns 95% (2011 – 95%) of the issued ordinary shares of MYOB Group Pty Limited.

### (b) Subsidiaries

	Country of Incorporation	Percentage owned (%)	
		2012	2011
<b>Parent Entity:</b>			
MYOB Holdings Pty Ltd	Australia		
<b>Controlled entities of MYOB Holdings Pty Ltd:</b>			
MYOB Acquisition Pty Ltd	Australia	100	100
MYOB Finance Australia Limited	Australia	100	-
MYOB New Zealand Group Limited	New Zealand	100	100
MYOB Finance NZ Limited	New Zealand	100	100
MYOB NZ Limited	New Zealand	100	100
MYOB Australia Pty Ltd	Australia	100	100
MYOB Technology Pty Ltd	Australia	100	100
MYOB Australia E1 Pty Ltd	Australia	100	100
MYOB Asia Sdn Bhd	Malaysia	100	100
MYOB Finance Pty Ltd	Australia	100	100
Solution 6 Pty Ltd	Australia	100	100
<b>In Liquidation:</b>			
Cayman Holdings Ltd	Caymans	100	100
ACN 133 874 736 Pty Ltd	Australia	100	100
ACN 136 926 960 Pty Ltd	Australia	100	100
ACN 135 061 915 Pty Ltd	Australia	100	100
ACN 133 875 126 Pty Ltd	Australia	100	100
ACN 133 879 001 Pty Ltd	Australia	100	100
ACN 135 572 486 Pty Ltd	Australia	100	100
ACN 086 760 303 Pty Ltd	Australia	100	100
Solution 6 Holdings Pty Ltd	Australia	100	100
MYOB Mexico	Mexico	100	100

### (c) Subsidiaries incorporated

MYOB Finance Australia Limited was incorporated on 1st November 2012 as the vehicle to facilitate the retail note issue in December 2012.

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# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 31 RELATED PARTY TRANSACTIONS

### (d) Transactions with other related parties

Operational funding was received throughout the year from MYOB Group Pty Ltd totalling \$1.8 million.

Current Tax payable was transferred to MYOB Group Pty Ltd totalling \$6.2 million (2011: **-\$2 million**) as part of the tax consolidated group.

Management fees including out of pocket expenses amounting to \$2.5 million were paid to Bain Capital Partners LLC, our parent entity.

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

### (e) Loans from related parties

	<b>2012</b> <b>(12 months)</b> <b>\$'000</b>	<b>2011</b> <b>(3 months)</b> <b>\$'000</b>
MYOB Group Pty Ltd	8,196	173,515

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# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 32 DEED OF CROSS GUARANTEE

On 22 November 2012 MYOB Holdings Pty Ltd, MYOB Acquisition Pty Ltd, MYOB Australia Pty Ltd, MYOB Technology Pty Ltd and MYOB Australia E1 Pty Ltd (the "Closed Group") entered into a Deed of Cross Guarantee.

Pursuant to Class Order 98/1418, relief has been granted to MYOB Acquisition Pty Ltd, MYOB Technology Pty Ltd and MYOB Australia E1 Pty Ltd from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

The effect of the deed is that MYOB Holdings Pty Ltd has guaranteed to pay any deficiency in the event of winding up of either controlled entity. The controlled entities have also given a similar guarantee in the event that MYOB Holdings Pty Ltd is wound up.

The consolidated income statement and balance sheet of the entities which are members of the "Closed Group" are as follows:

### Closed group - consolidated income statement

	<b>2012</b> <b>(12 months)</b> <b>\$'000</b>
Profit / (Loss) from ordinary activities before income tax	(13,491)
Income tax benefit / (expense) relating to ordinary activities	9,837
<b>Net profit / (loss) from ordinary activities after income tax expense</b>	<b>(3,654)</b>
Retained profits / (loss) at the beginning of the period	(32,473)
Net profit / (loss) from ordinary activities after income tax expense	(3,654)
<b>Retained profit / (loss) at the end of the financial year</b>	<b>(36,127)</b>

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 32 DEED OF CROSS GUARANTEE

Closed group - consolidated balance sheet

	<b>2012</b>
	<b>\$'000</b>
<b>Current Assets</b>	
Cash assets	3,498
Trade and other receivables	37,759
Inventories	330
Other financial assets	3,336
Other	4,407
<b>Total current assets</b>	<b>49,330</b>
<b>Non-current assets</b>	
Property, plant and equipment	4,873
Deferred Tax assets	14,113
Intangible assets	1,157,180
Investments	15,825
<b>Total non-current assets</b>	<b>1,191,991</b>
<b>Total Assets</b>	<b>1,241,321</b>
<b>Current liabilities</b>	
Trade and other payables	172,970
Unearned revenue	39,284
Interest-bearing liabilities	11,573
Other Tax liabilities	1,440
Provisions	7,978
<b>Total current liabilities</b>	<b>233,245</b>
<b>Non-current liabilities</b>	
Interest bearing liabilities	388,598
Deferred tax liabilities	37,248
Derivative financial instruments	6,850
Provisions	1,028
<b>Total non-current liabilities</b>	<b>433,724</b>
<b>Total Liabilities</b>	<b>666,969</b>
<b>Net Assets</b>	<b>574,353</b>
<b>Equity</b>	
Contributed equity	612,359
Reserves	(1,879)
Retained profits	(36,127)
<b>Total Equity</b>	<b>574,353</b>

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

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

	2012 (12 months) \$'000	2011 (3 months) \$'000
<b>Reconciliation of Net (Loss) after Income Tax with Cash Flow from Operations:</b>		
Net (loss) for the period	(14,777)	(39,865)
Cash flows excluded from operating (loss) attributable to operating activities:		
<b>Non-cash flows in operating (loss)</b>		
- Loss on disposal of Property, Plant and Equipment	(20)	388
- Amortisation/depreciation	63,130	15,611
- Accrued Interest expense	7,537	1,866
- Accrued specific items / expenses	(325)	918
- Management fees	2,499	500
- FX on foreign denominated transactions	(30)	90
- Management shares	1,070	-
- Write off debt costs	-	13,501
- Group Tax transfer	(7,129)	18,424
<b>Changes in assets and liabilities, net of the effects of the purchase and disposal of subsidiaries:</b>		
- Movement in trade and term debtors	447	107
- Movement in other financial assets	(397)	1,994
- Movement in prepayments / other assets	(1,876)	(399)
- Movement in inventories	(35)	(69)
- Movement in trade creditors and accruals	(142)	(29)
- Movement in provisions	(951)	(1,444)
- Movement in unearned revenues	(2,788)	(7,437)
<b>Cash Flows from operations</b>	<b>46,213</b>	<b>4,157</b>

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# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 34 SHARE-BASED PAYMENTS

### (a) Management shares

In 2011, MYOB Group Pty Ltd (the immediate parent company of MYOB Holdings Pty Ltd) 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 cash 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 cash distribution is based upon the equity value of MYOB Group Pty Ltd. The share based payment expense in relation to the scheme is recognised in MYOB Australia Pty Ltd, a subsidiary of MYOB Holdings Pty Ltd, on a pro-rata basis over the expecting vesting period. The arrangement is treated as an equity settled expense as the obligation to settle resides with MYOB Group Pty Ltd.

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 cash distribution is calculated.

Number of Management "A" shares issued:

	<b>2012</b> <b>(12 months)</b>	<b>2011</b> <b>(3 months)</b>
	<b>number of shares</b>	<b>number of shares</b>
Opening balance	34,058	-
Number issued	6,230	34,058
Number bought back	(675)	-
Closing balance	<u>39,614</u>	<u>34,058</u>

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

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

Management "A" shares expense:

	<b>2012</b> <b>(12 months)</b>	<b>2011</b> <b>(3 months)</b>
	<b>\$'000</b>	<b>\$'000</b>
Share based payments expense in relation to Management "A" Shares	<u>(1,070)</u>	-

# Notes to the Financial Statements (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

## 35 PARENT ENTITY FINANCIAL INFORMATION

### (a) Summary financial information

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

	2012 \$'000	2011 \$'000
<b>Balance Sheet</b>		
Current Assets	179,865	148,020
Non-current Assets	439,112	532,689
<b>Total Assets</b>	<b>618,977</b>	<b>680,709</b>
Current Liabilities	6,618	148,020
Non-current Liabilities	-	-
<b>Total Liabilities</b>	<b>6,618</b>	<b>148,020</b>
<b>Net Assets</b>	<b>612,359</b>	<b>532,689</b>
<b>Shareholders' equity</b>		
Issued Capital	612,359	532,689
Retained earnings	-	-
<b>Total Equity</b>	<b>612,359</b>	<b>532,689</b>
<b>Profit / (Loss) for the year</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive gain/ (loss)</b>	<b>-</b>	<b>-</b>

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

There are no contingent liabilities or contingent assets as at 31 December 2012.

## 36 EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events noted after Balance Sheet date.



## **Independent auditor's report to the members of MYOB Holdings Pty Ltd**

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

We have audited the accompanying financial report of MYOB Holdings Pty Ltd (the company), which comprises the balance sheet as at 31 December 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the 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. These Auditing 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 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

### ***Independence***

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

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### *Auditor's opinion*

In our opinion:

- (a) the financial report of MYOB Holdings Pty Ltd 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 2012 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*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 5 to 9 of the directors' report for the year ended 31 December 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's opinion*

In our opinion, the remuneration report of MYOB Holdings Pty Ltd for the year ended 31 December 2012, complies with section 300A of the *Corporations Act 2001*.

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

PricewaterhouseCoopers

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

Chris Dodd  
Partner

25 February 2013