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# Financial Report

For the year ended 30 June 2014

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ATLASSIAN CORPORATION PLC  
Registered No. 8776021

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ANNUAL REPORT AND FINANCIAL STATEMENTS

Atlassian Corporation Plc  
Year Ended 30 June 2014

Registered No. 8776021

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## Strategic Report

The Directors present the strategic report of Atlassian Corporation Plc and its subsidiaries (together, the “Group”) for the year ended 30 June 2014.

### Business Review

The Group’s results in fiscal 2014 showed strong momentum in the business from both core products and new product launches. Key business highlights included:

- Added more than 9,000 net new customers, bringing the total to more than 37,000 worldwide;
- The introduction of JIRA Service Desk, a modern and flexible service desk offering launched in October 2013;
- The Group introduced video, audio and screen sharing capabilities as a premium offering for HipChat while also making the basic offering free for unlimited users. HipChat continues to be one of the fastest growing products at Atlassian;
- On 12 February 2014, shareholders of the former parent company, Atlassian Corporation Pty. Ltd., approved a formal business entity reorganisation whereby Atlassian Corporation Plc, a United Kingdom public limited company, became the parent of the Group;
- In the third quarter of fiscal 2014, the Group opened its second North American office in Austin, Texas. The Group expects it to grow rapidly over the next 12 months; and
- In the first quarter of fiscal 2014, the Group established a subsidiary in the Republic of the Philippines, Atlassian Philippines, Inc., to oversee the Group’s operations in the region.

Net income for the year, after taxation, was \$19.0 million. During the year, the Group declared and paid a dividend of \$0.06 per each ordinary and preference share outstanding, which totalled \$10.0 million. The Group’s key financial and other performance indicators during the year were as follows:

|                                          | Year Ended 30 June            |         |
|------------------------------------------|-------------------------------|---------|
|                                          | 2014                          | 2013    |
|                                          | <i>(U.S. \$ in thousands)</i> |         |
| Revenue                                  | 215,109                       | 148,512 |
| Operating income                         | 21,531                        | 13,119  |
| Cash and cash equivalents                | 116,766                       | 90,166  |
| Net cash flows from operating activities | 75,280                        | 54,310  |

Revenue increased by 45% during the financial year, aided by growth of existing products and the launch of new products. Operating profit for the financial year increased 64% as a result of the growth in revenue and benefits from scale in hosting, support and research and development expenses. Accordingly, cash and cash equivalents increased 30% and cash flow from operations increased 39% in conjunction with the Group’s profitable growth and strong operating performance.

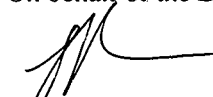
## Principal Risks and Uncertainties

The Group operates in a fast moving, competitive and highly technologically-focused environment. The principal business and financial risks the Group faces include:

- Risk that we will be unable to continue to develop, market and offer new products and services or upgrades or enhancements to existing products and services that meet customer requirements;
- Risk that introduction of new products, services and business and pricing models by existing and new competitors could harm our competitive position;
- Risk that we may fail to effectively manage our growth and organisational change in a manner that preserves the key aspects of our culture and allows us to scale effectively;
- Risk that our security measures may be breached or unauthorised access to customer data may be obtained exposing us to liability and harming our business and reputation;
- Risk that we may experience service interruptions or performance problems associated with our technology and infrastructure;
- Risk of disruption to our business due to the departure of any of our executive officers and other key employees as well as the inability to attract and retain other highly skilled employees;
- Risk associated with foreign currency fluctuations and our inability to effectively hedge our exposure; and
- The Group operates in a number of international jurisdictions. The current uncertainty surrounding international tax law exposes the Group's global operations to tax risk arising from potential changes to tax law.

Management and the Board of Directors oversee the Group's risk objectives. We believe the Group's management team and its Board of Directors possess the requisite skills to manage such risks. The Board of Directors is made aware of and reviews management's risk assessments prior to entering into significant transactions.

On behalf of the Board of Directors



Scott Farquhar

Company Director

20 October 2014

## **Directors' Report**

The Directors present the financial statements and related strategic report of Atlassian Corporation Plc and its subsidiaries (together, the "Group") for the year ended 30 June 2014.

Group financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union and the requirements of the Companies Act 2006 applicable to companies reporting under IFRS. Parent financial statements are prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Future Developments**

The principal activities of the Group during the year were the designing, developing, licensing and maintaining of software and the provisioning of software hosting services. There have been no significant changes in the nature of these activities during the year. The Group's products include software for tracking, collaboration, communication, service management and development. The Group intends to continue operating in these areas in the foreseeable future.

### **Business Review**

The strategic report includes the Directors' views on the development of the business, its position at the end of the financial year, and future developments, with reference to performance indicators used by the Directors to monitor the business. The key performance indicators discussed are:

- Revenue
- Operating income
- Cash and cash equivalents
- Net cash flows from operating activities

### **Events Since the Balance Sheet Date**

Subsequent to the end of the financial year, the Group completed two asset purchase transactions totalling approximately \$5.3 million in the aggregate. On 8 September 2014, the Group entered into a lease amendment to increase its office space in Austin, Texas from approximately 24,000 square feet to approximately 73,000 square feet. The term of the lease for the space is six years, and the Group is scheduled to take occupancy of the first portion of the leased premises on or about (but no earlier than) 1 February 2015. Future minimum lease payments under the lease will range from \$160,000 per month to \$191,000 per month.

### **Financial Risk Management**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk

management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Management regularly reviews the Group's risk objectives to ensure that risks are identified and managed appropriately. The Board of Directors is made aware of and reviews management's risk assessments prior to entering into significant transactions.

#### *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from exposure to various currencies, primarily the Australian dollar, British pound, euro, Japanese yen and Philippine peso. Foreign exchange risk arises from future commercial transactions and recognised financial assets and liabilities denominated in a currency that is not in U.S. dollars. Management has set up a policy requiring group companies to manage their foreign exchange risk against their functional currency.

#### *Interest rate risk*

The Group's exposure to interest rate risk is low, as 65% and 93% of its financial assets and liabilities, respectively, which are current and have maturities less than three months, thereby reducing its exposure to interest rate fluctuations. The carrying value of cash and cash equivalents approximate their fair value, as they are highly liquid and short term in nature.

Short-term and long-term investments held by the Group are in the form of term deposits with fixed interest rates, thereby limiting exposure related to interest rate fluctuations. The Group does not have long-term debt or financial liabilities with floating interest rates that would subject it to interest rate fluctuations. Based on such facts, the Group considers interest rate fluctuations to have a minimal impact on its future cash outflows.

#### *Credit risk*

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of AA- are accepted.

The Group's customer base is highly diversified, thereby limiting credit risk. The Group manages its credit risk with customers by closely monitoring its receivables. Sales are typically settled using major credit cards, mitigating credit risk. No one customer represented more than 1% of revenues in the current financial year.

#### *Liquidity risk*

The Group evaluated its liquidity risk based on its cash inflows and outflows for the next 12 months and concluded it to be low. The Group had sufficient cash in the short term as at 30 June 2014, to meet its long-term cash outflows and it does not expect the impact of a discounted cash flow analysis to change the conclusion of its risk assessment.

## **Profits and Dividends**

Net income for the year, after taxation, was \$19.0 million. During the year, the Group declared and paid a dividend of \$0.06 per each ordinary and preference share outstanding, which totalled \$10.0 million.

## **Research and Development**

The Group remains committed to research and development to maintain its position as a market leader in our industry. During the year, the Group expensed \$78.5 million related to research and development. The basis of accounting for this expenditure is set out in Note 2 to the consolidated financial statements.

## **Board of Directors**

The Board of Directors comprise the following individuals:

- Kirk Bowman
- Douglas J. Burgum
- Michael Cannon-Brookes
- Murray J. Demo
- Scott Farquhar
- Jay Parikh
- Enrique Salem
- Richard P. Wong

Jay Parikh and Enrique Salem were appointed during the current financial year.

## **Qualifying Third-Party Indemnities**

The Group has granted an indemnity to all of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in Section 234 of the Companies Act 2006. Such qualifying third-party indemnity provisions were in force throughout the financial year and remain in force as at the date of approving the Directors' report.

## **Auditors**

Ernst & Young LLP, UK were appointed as auditor to the Company following its incorporation and have expressed their willingness to continue in office for fiscal 2015.

## **Disclosure to Auditors**

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and

- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

#### **Authorisation of Financial Statements**

The financial statements for Atlassian Corporation Plc for the year ended 30 June 2014 were authorised for issue by the Board of Directors on 9 October 2014. The Statements of Financial Position were signed on behalf of the Board of Directors by Scott Farquhar.

By order of the Board of Directors

On behalf of the Board of Directors



Scott Farquhar

Company Director

20 October 2014

## **Statement of Directors' Responsibilities in Relation to the Consolidated Financial Statements**

The Directors are responsible for preparing the consolidated financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted by the International Accounting Standards Board (IASB).

The Directors are required to prepare consolidated financial statements for each financial year which present fairly the Group's financial position, the financial performance and cash flows for that period.

In preparing those consolidated financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## *INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATLIASSIAN CORPORATION PLC*

We have audited the group financial statements of Atlassian Corporation Plc for the year ended 30 June 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### *Respective responsibilities of directors and auditors*

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### *Opinion on financial statements*

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Other matter*

We have reported separately on the parent company financial statements of Atlassian Corporation Plc for the year ended 30 June 2014.

*Ernst & Young LLP*

David Hales

(Senior statutory auditor)

for and on behalf of Ernst & Young LLP, UK, Statutory Auditor.

Reading

20 October 2014

# Atlassian Corporation Plc

## Consolidated Statements of Comprehensive Income

|                                                                    | Notes | Year Ended 30 June            |                |
|--------------------------------------------------------------------|-------|-------------------------------|----------------|
|                                                                    |       | 2014                          | 2013           |
|                                                                    |       | <i>(U.S. \$ in thousands)</i> |                |
| <b>Revenue</b>                                                     |       |                               |                |
| Software license revenue                                           |       | 44,186                        | 32,789         |
| Support revenue                                                    |       | 111,246                       | 83,261         |
| Cloud-based service revenue                                        |       | 51,007                        | 28,780         |
| Other                                                              |       | 8,670                         | 3,682          |
|                                                                    |       | <b>215,109</b>                | <b>148,512</b> |
| Cost of sales                                                      |       | (30,395)                      | (25,398)       |
| <b>Gross profit</b>                                                |       | <b>184,714</b>                | <b>123,114</b> |
| <b>Expenses</b>                                                    |       |                               |                |
| Other expenses from ordinary activities:                           |       |                               |                |
| Research and development                                           |       | (78,582)                      | (56,857)       |
| Sales and marketing                                                |       | (34,870)                      | (18,666)       |
| General and administration                                         |       | (40,813)                      | (25,173)       |
| Amortisation of intangibles                                        | 12    | (7,689)                       | (7,762)        |
| Other operating expenses                                           |       | (1,229)                       | (1,537)        |
| <b>Operating income</b>                                            |       | <b>21,531</b>                 | <b>13,119</b>  |
| Other non-operating income (expense), net                          | 6     | 608                           | (1,918)        |
| Finance income                                                     |       | 317                           | 474            |
| Finance costs                                                      |       | (228)                         | (272)          |
| <b>Income before income tax</b>                                    |       | <b>22,228</b>                 | <b>11,403</b>  |
| Income tax expense                                                 | 8     | (3,246)                       | (642)          |
| <b>Net income</b>                                                  |       | <b>18,982</b>                 | <b>10,761</b>  |
| <b>Other comprehensive income (loss)</b>                           |       |                               |                |
| Items that may be reclassified subsequently to profit or loss:     |       |                               |                |
| Foreign currency translation adjustment                            | 20    | 25                            | (11)           |
| Other comprehensive income (loss) for the year, net of tax         |       | 25                            | (11)           |
| <b>Total comprehensive income for the year, net of tax</b>         |       | <b>19,007</b>                 | <b>10,750</b>  |
| <b>Net income attributable to:</b>                                 |       |                               |                |
| Owners of Atlassian Corporation Plc                                |       | <u>18,982</u>                 | <u>10,761</u>  |
| <b>Total comprehensive income for the year is attributable to:</b> |       |                               |                |
| Owners of Atlassian Corporation Plc                                |       | <u>19,007</u>                 | <u>10,750</u>  |

*The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.*

Atlassian Corporation Plc  
Consolidated Statements of Financial Position

|                                        |       | 30 June                       |                       |
|----------------------------------------|-------|-------------------------------|-----------------------|
|                                        | Notes | 2014                          | 2013                  |
|                                        |       | <i>(U.S. \$ in thousands)</i> |                       |
| <b>Assets</b>                          |       |                               |                       |
| Current assets                         |       |                               |                       |
| Cash and cash equivalents              |       | 116,766                       | 90,166                |
| Trade and other receivables            | 9     | 4,749                         | 2,068                 |
| Other financial assets                 | 10    | 45,235                        | 11,053                |
| Current tax receivables                |       | 1,413                         | 3,388                 |
| Other current assets                   | 10    | 3,040                         | 1,877                 |
| Total current assets                   |       | <u>171,203</u>                | <u>108,552</u>        |
| Non-current assets                     |       |                               |                       |
| Property, plant, and equipment         | 11    | 16,038                        | 12,383                |
| Deferred tax assets                    | 8     | 48,222                        | 13,021                |
| Intangible assets                      | 12    | 20,708                        | 26,248                |
| Other non-current assets               | 13    | 5,867                         | 5,906                 |
| Total non-current assets               |       | <u>90,835</u>                 | <u>57,558</u>         |
| <b>Total assets</b>                    |       | <u><b>262,038</b></u>         | <u><b>166,110</b></u> |
| <b>Liabilities</b>                     |       |                               |                       |
| Current liabilities                    |       |                               |                       |
| Trade and other payables               | 14    | 37,275                        | 20,288                |
| Current tax liabilities                |       | 276                           | 1,040                 |
| Provisions                             | 15    | 2,622                         | 2,831                 |
| Deferred revenue                       |       | 85,262                        | 60,893                |
| Other current liabilities              | 16    | 1,094                         | 3,003                 |
| Total current liabilities              |       | <u>126,529</u>                | <u>88,055</u>         |
| Non-current liabilities                |       |                               |                       |
| Deferred tax liabilities               |       | 2,936                         | 2,763                 |
| Provisions                             | 17    | 1,756                         | 1,239                 |
| Deferred revenue                       |       | 3,921                         | 3,505                 |
| Other non-current liabilities          | 18    | 1,567                         | 4,370                 |
| Total non-current liabilities          |       | <u>10,180</u>                 | <u>11,877</u>         |
| <b>Total liabilities</b>               |       | <u><b>136,709</b></u>         | <u><b>99,932</b></u>  |
| <b>Equity</b>                          |       |                               |                       |
| Share capital                          | 19    | 18,190                        | 17,527                |
| Share premium                          | 20    | 2,677                         | —                     |
| Capital redemption reserve             | 20    | 98                            | —                     |
| Merger reserve                         | 20    | 34,943                        | 32,943                |
| Share-based payments reserve           | 20    | 57,259                        | 12,455                |
| Foreign currency translation reserve   | 20    | 4,035                         | 4,010                 |
| Retained earnings (accumulated losses) |       | 8,127                         | (757)                 |
| <b>Total equity</b>                    |       | <u><b>125,329</b></u>         | <u><b>66,178</b></u>  |
| <b>Total liabilities and equity</b>    |       | <u><b>262,038</b></u>         | <u><b>166,110</b></u> |

*The above consolidated statements of financial position should be read in conjunction with the accompanying notes.*

On behalf of the Board of Directors



Scott Farquhar

Company Director

20 October 2014

# Atlassian Corporation Plc

## Consolidated Statements of Changes in Equity

For the Years Ended 30 June 2014 and 2013

| Notes                                                 | Share capital | Share premium | Capital redemption reserve | Merger reserve | Share-based payments reserve | Foreign currency translation reserve | Retained earnings (accumulated losses) | Total equity   |
|-------------------------------------------------------|---------------|---------------|----------------------------|----------------|------------------------------|--------------------------------------|----------------------------------------|----------------|
| <b>Balance as at 1 July 2012</b>                      | <b>17,098</b> | <b>–</b>      | <b>–</b>                   | <b>28,444</b>  | <b>3,645</b>                 | <b>4,021</b>                         | <b>(9,317)</b>                         | <b>43,891</b>  |
| Comprehensive income (loss) for the year:             |               |               |                            |                |                              |                                      |                                        |                |
| Profit for the year                                   | –             | –             | –                          | –              | –                            | –                                    | 10,761                                 | 10,761         |
| Other comprehensive loss for the year                 | –             | –             | –                          | –              | –                            | (11)                                 | –                                      | (11)           |
| <b>Total comprehensive income (loss) for the year</b> | <b>–</b>      | <b>–</b>      | <b>–</b>                   | <b>–</b>       | <b>–</b>                     | <b>(11)</b>                          | <b>10,761</b>                          | <b>10,750</b>  |
| Transactions with owners in their capacity as owners: |               |               |                            |                |                              |                                      |                                        |                |
| Exercise of share options, net of early exercise      | 19            | 214           | –                          | –              | 1,193                        | –                                    | –                                      | 1,407          |
| Vesting of early exercised shares                     | 19            | 176           | –                          | –              | 1,346                        | –                                    | –                                      | 1,522          |
| Dividends provided for or paid                        | 21            | –             | –                          | –              | –                            | –                                    | (2,201)                                | (2,201)        |
| Issue of share options                                | 25            | –             | –                          | –              | 1,164                        | –                                    | –                                      | 1,164          |
| Issue of preference shares                            | 19            | 39            | –                          | –              | 1,960                        | –                                    | –                                      | 1,999          |
| Share-based payment                                   | 25            | –             | –                          | –              | 3,491                        | –                                    | –                                      | 3,491          |
| Tax benefit from share plans                          | 25            | –             | –                          | –              | 4,155                        | –                                    | –                                      | 4,155          |
|                                                       | <b>429</b>    | <b>–</b>      | <b>–</b>                   | <b>4,499</b>   | <b>8,810</b>                 | <b>–</b>                             | <b>(2,201)</b>                         | <b>11,537</b>  |
| <b>Balance as at 30 June 2013</b>                     | <b>17,527</b> | <b>–</b>      | <b>–</b>                   | <b>32,943</b>  | <b>12,455</b>                | <b>4,010</b>                         | <b>(757)</b>                           | <b>66,178</b>  |
| Comprehensive income for the year:                    |               |               |                            |                |                              |                                      |                                        |                |
| Profit for the year                                   | –             | –             | –                          | –              | –                            | –                                    | 18,982                                 | 18,982         |
| Other comprehensive income for the year               | –             | –             | –                          | –              | –                            | 25                                   | –                                      | 25             |
| <b>Total comprehensive income for the year</b>        | <b>–</b>      | <b>–</b>      | <b>–</b>                   | <b>–</b>       | <b>–</b>                     | <b>25</b>                            | <b>18,982</b>                          | <b>19,007</b>  |
| Transactions with owners in their capacity as owners: |               |               |                            |                |                              |                                      |                                        |                |
| Exercise of share options, net of early exercise      | 19            | 576           | 2,677                      | –              | 1,056                        | –                                    | –                                      | 4,309          |
| Vesting of early exercised shares                     | 19            | 87            | –                          | –              | 944                          | –                                    | –                                      | 1,031          |
| Dividends provided for or paid                        | 21            | –             | –                          | –              | –                            | –                                    | (10,000)                               | (10,000)       |
| Issue of share options                                | 25            | –             | –                          | –              | 910                          | –                                    | –                                      | 910            |
| Issue of redeemable shares                            | 25            | 98            | –                          | –              | –                            | –                                    | –                                      | 98             |
| Redemption of redeemable shares                       | 25            | (98)          | –                          | 98             | –                            | –                                    | (98)                                   | (98)           |
| Share-based payment                                   | 25            | –             | –                          | –              | 11,364                       | –                                    | –                                      | 11,364         |
| Tax benefit from share plans                          | 25            | –             | –                          | –              | 32,530                       | –                                    | –                                      | 32,530         |
|                                                       | <b>663</b>    | <b>2,677</b>  | <b>98</b>                  | <b>2,000</b>   | <b>44,804</b>                | <b>–</b>                             | <b>(10,098)</b>                        | <b>40,144</b>  |
| <b>Balance as at 30 June 2014</b>                     | <b>18,190</b> | <b>2,677</b>  | <b>98</b>                  | <b>34,943</b>  | <b>57,259</b>                | <b>4,035</b>                         | <b>8,127</b>                           | <b>125,329</b> |

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

# Atlassian Corporation Plc

## Consolidated Statements of Cash Flows

|                                                                               | Notes | For the year ended 30 June    |                 |
|-------------------------------------------------------------------------------|-------|-------------------------------|-----------------|
|                                                                               |       | 2014                          | 2013            |
|                                                                               |       | <i>(U.S. \$ in thousands)</i> |                 |
| <b>Operating activities</b>                                                   |       |                               |                 |
| Net profit before income tax                                                  |       | 22,228                        | 11,403          |
| Non-cash adjustments to reconcile income before income tax to net cash flows: |       |                               |                 |
| Depreciation and amortisation                                                 | 12    | 13,316                        | 12,060          |
| Net loss on disposal of property, plant, and equipment                        | 11    | 32                            | 52              |
| Net unrealised foreign currency gain (loss)                                   |       | (1,109)                       | 1,842           |
| Share-based payment expense                                                   | 25    | 11,364                        | 3,491           |
| Accretion of interest                                                         |       | 226                           | 272             |
| Change in fair value of contingent consideration                              | 4     | 58                            | 444             |
| Increase in trade and other receivables                                       |       | (3,023)                       | (538)           |
| Increase in other assets                                                      |       | (4,064)                       | (1,439)         |
| Increase in payables and provisions                                           |       | 13,004                        | 12,884          |
| Increase in deferred revenue                                                  |       | 24,785                        | 18,567          |
| Interest paid                                                                 |       | —                             | (1)             |
| Interest received                                                             |       | 347                           | 631             |
| Income tax paid, net of refunds                                               |       | (1,884)                       | (5,358)         |
| <b>Net cash flows from operating activities</b>                               |       | <b>75,280</b>                 | <b>54,310</b>   |
| <b>Investing activities</b>                                                   |       |                               |                 |
| Purchases of short-term investments and deposits                              |       | (45,498)                      | (12,191)        |
| Proceeds from sale of short-term investments and deposits                     |       | 11,641                        | 7,095           |
| Purchase of property, plant, and equipment                                    | 11    | (8,110)                       | (7,246)         |
| Purchase of intangible assets                                                 | 12    | (2,149)                       | —               |
| Payment of deferred consideration                                             |       | (2,438)                       | (100)           |
| <b>Net cash flows used in investing activities</b>                            |       | <b>(46,554)</b>               | <b>(12,442)</b> |
| <b>Financing activities</b>                                                   |       |                               |                 |
| Proceeds from exercise of share options, including early exercised options    |       | 7,429                         | 3,042           |
| Proceeds from issuance of preference shares                                   |       | —                             | 2,000           |
| Dividends paid to shareholders                                                | 21    | (10,000)                      | (2,201)         |
| <b>Net cash flows from/(used in) financing activities</b>                     |       | <b>(2,571)</b>                | <b>2,841</b>    |
| Effect of exchange rate changes on cash and cash equivalents                  |       | 445                           | (1,349)         |
| <b>Net increase in cash and cash equivalents</b>                              |       | <b>26,600</b>                 | <b>43,360</b>   |
| Cash and cash equivalents at beginning of year                                |       | 90,166                        | 46,806          |
| <b>Cash and cash equivalents at end of year</b>                               |       | <b>116,766</b>                | <b>90,166</b>   |
| Purchase of property, plant, and equipment, accrued not paid                  |       | 1,208                         | 10              |

*The above consolidated statements of cash flows should be read in conjunction with the accompanying notes*

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## Atlassian Corporation Plc

### **1. Corporate information**

The financial report of Atlassian Corporation Plc (the “Company”) and its subsidiaries (together, “Atlassian” or the “Group”) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Board of Directors on 9 October 2014. Atlassian Corporation Plc is a company limited by shares, incorporated and domiciled in the United Kingdom. The registered office is located at Exchange House, Primrose Street, London EC2A 2EG, c/o Herbert Freehills LLP.

The principal activities of the Group during the year were the designing, developing, licensing and maintaining of software and the provisioning of software hosting services. The Group’s products include software for tracking, collaboration, communication, service management and development.

There have been no significant changes in the nature of these activities during the year. Information on the Group’s structure is provided in note 5. Information on other related party relationships of the Group is provided in note 24.

### **2. Summary of significant accounting policies**

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in applying the Group’s accounting policies. The areas that require a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

#### **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities that have been measured at fair value through profit or loss.

#### *Prior period reclassifications*

Certain prior period amounts have been reclassified to conform to the current presentation. Rental income arising from the sublease of the Group's leased office space along with the related expenses are included in other non-operating expense in order to better reflect the

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revenue-generating operations of the Group. In the fiscal 2013 financial statement presentation, rental income was included within revenue, and associated expense was included in other expenses from ordinary activities.

### *Segment information*

The Group reports information by segments as established in IFRS 8 *Operating segments*. The Group operates as a single cash-generating unit (CGU) and as a single operating segment, which is also its reporting segment.

An operating segment is defined as a component of an entity with discrete financial information available and whose operating results are regularly reviewed by the chief operating decision maker. The Group's chief operating decision makers are the Group's Co-Founders and Chief Executive Officers, who review operating results to make decisions about allocating resources and assessing performance based on consolidated company figures. We view the Group's operations and manage the Group's business as one operating segment.

### *Reorganisation*

Shareholders of the former parent company, Atlassian Corporation Pty. Ltd., approved a formal business entity reorganisation whereby Atlassian Corporation Plc, a United Kingdom public limited company, became the parent of the Group, effective 12 February 2014. This transaction is referred to as the reorganisation. Under the terms of the reorganisation, the following share schemes were approved and implemented:

- In exchange for each Class B ordinary share of Atlassian Corporation Pty. Ltd. held, a shareholder received one Class B ordinary share in Atlassian Corporation Plc;
- In exchange for each Series A preference share of Atlassian Corporation Pty. Ltd. held, a shareholder received one Series A preference share in Atlassian Corporation Plc;
- In exchange for each Series B preference share of Atlassian Corporation Pty. Ltd. held, a shareholder received one Series B preference share in Atlassian Corporation Plc;
- In exchange for each restricted share of Atlassian Corporation Pty. Ltd. held, a shareholder received one restricted share in Atlassian Corporation Plc;
- In exchange for each restricted option of Atlassian Corporation Pty. Ltd. held, an optionholder received one restricted option in Atlassian Corporation Plc; and
- In exchange for each Class B ordinary option of Atlassian Corporation Pty. Ltd. held, an optionholder received one Class B ordinary option in Atlassian Corporation Plc.

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Shareholders of Atlassian Corporation Plc immediately subsequent to the reorganisation had the same economic interest in Atlassian Corporation Plc as they had in Atlassian Corporation Pty. Ltd. immediately prior to the reorganisation. Similarly, holders of one restricted share option in Atlassian Corporation Pty. Ltd. also received a reciprocal option for one restricted share in Atlassian Corporation Plc. The shares of Atlassian Corporation Plc have a nominal value of \$0.10 per share.

Any references to the “Company” or “Group” or any similar references relating to periods before the reorganisation shall be construed as references to Atlassian Corporation Pty. Ltd., being the previous parent company of the Atlassian group. The reorganisation has been accounted for as a capital reorganisation. The consolidated financial statements are therefore presented as if Atlassian Corporation Plc had been the parent company of the Group throughout the periods presented. No reclassifications or adjustments to previously reported figures and no changes in the operations of the Group resulted from this change.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2014, and the results of operations of all subsidiaries for the year then ended.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. From the date that control ceases, these entities are no longer consolidated.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2, below, under the heading business combinations).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised intercompany losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

### **a) Foreign currency translation**

The Group’s consolidated financial statements are presented using the U.S. dollar, which is also the Company’s functional currency. The Group determines the functional currency for each entity in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, or the currency of the primary economic environment in which each subsidiary operates, and items included in the financial statements of such entity are measured using that functional

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currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from this method.

### *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the consolidated statements of comprehensive income through “other non-operating income (expense), net,” with the exception of monetary items that are designated as part of the Group’s net investment in a foreign operation. These differences are recognised in “other comprehensive income (loss)” on translation of the foreign operations account until the net investment is disposed. At the time of disposal, the cumulative amount is reclassified to the “foreign exchange gain (loss)” account in the consolidated statements of comprehensive income.

Certain non-monetary items, such as property, plant and equipment, which are measured at historical cost in a foreign currency, are translated using the exchange rates at the dates of the initial transactions. Certain non-monetary items measured at fair value in a foreign currency, such as intangible assets, are translated using the exchange rates at the date when the fair value is determined. These changes are recorded in the “other non-operating income (expense), net” account in the consolidated statements of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date. On disposal of a foreign operation, the component of other comprehensive income (loss) relating to that particular foreign operation is recognised in the statements of comprehensive income.

### *Group companies*

On consolidation, assets and liabilities of foreign operations are translated into U.S. dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

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### **b) Revenue recognition**

The Group primarily derives revenue from software license revenue, support revenue, cloud-based service revenue, and training and other services.

If, at the outset of an arrangement, revenue cannot be measured reliably, revenue recognition is deferred until the arrangement fee becomes due and payable by the customer. If, at the outset of an arrangement, it is determined that collectability is not probable, revenue recognition is deferred until the earlier of when collectability becomes probable or payment is received.

Revenue is recognised in line with the requirements for selling goods as stated in IAS 18, *Revenue*, when evidence of an arrangement exists, delivery has occurred, the risks and rewards of ownership have been transferred to the customer, the amount of revenue and associated costs can be measured reliably, and collection of the related receivable is probable. The fee for the sale is recognised net of returns and allowances, discounts, and taxes. Revenue is reduced for expected returns, which are estimated based on historic experience.

#### *Software license revenue*

Software license revenue represents fees earned from the license of software to customers for use on the customer's premises ("server software"). Software is usually licensed on a perpetual basis, subject to a standard licensing agreement.

Occasionally, server software is licensed for a specified period of time. Revenue from short-term time-based licenses, which also include support services during the license period, is recognised rateably over the license term.

#### *Support revenue*

Support revenue represents fees earned from providing customers unspecified future updates, upgrades and enhancements, and technical product support for server software products. One to three years of support is included in the purchase of software licenses. Support services are priced as a percentage of the total product sale, and a substantial majority of customers elect to renew software support contracts annually. Support revenue is recognised based on the Group's performance under the support arrangement. The Group's primary obligations under these contracts are to provide technical product support as needed and to provide unspecified updates and enhancements on a when-and-if-available basis. For these arrangements revenue is recognised rateably over the term of the support period.

#### *Cloud-based service revenue*

Revenue from cloud-based services represent fees earned from providing customers the right to use software in a cloud-based-infrastructure provided by the Group, where the customer does not have the right to terminate the hosting contract and take possession of the software

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without significant penalty. Cloud-based services may be purchased for periods of one month up to one year.

Cloud-based revenue is recognised rateably as the services are performed, commencing with the date the service is made available to customers and all other revenue recognition criteria have been satisfied.

### *Other revenue*

Other revenue includes fees received for training and educational products, starter licenses and the sale of third-party vendor products. Revenue from training and starter licenses is recognised as delivered. Revenue from the sale of third-party vendor products on the Group's marketplace is recognised net of the vendor liability portion as the Group functions as an agent in the relationship. The Group's revenue portion is recognised at the date of product delivery given that all future obligations have been met.

### *Multiple-element arrangements*

Many of the Group's arrangements include multiple elements. Software, support, cloud-based subscription, and other service deliverables are accounted for as separate units of accounting based on fair value. Fair value is determined by establishing either vendor specific objective evidence or an estimated stand-alone selling price. The revenue amounts allocated to the individual elements are recognised when the revenue recognition criteria described above have been met for the respective element.

The residual method of revenue recognition is used when vendor specific objective evidence exists for all of the undelivered elements in the arrangement but does not exist for one or more delivered elements. This is generally the case in multiple-element arrangements involving server software and services related to server software where vendor specific objective evidence of fair value or estimated stand-alone selling price exists for all of the services in the arrangement but does not exist for the server software. Under the residual method, revenue is allocated to all undelivered elements in the amount of their respective fair values and the remaining amount of the arrangement fee is allocated to the delivered element.

In multiple-element arrangements where vendor specific objective evidence of fair value or an estimated stand-alone sales price exists for all elements, revenue is allocated to the elements based on their relative fair values.

The Group's Revenue Recognition policy considers the guidance provided by FASB ASC Subtopic 985-605, *Software Revenue Recognition*, and FASB ASC Subtopic 605-25, *Multiple-Element Arrangements*, where applicable, as authorised by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

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### c) Taxation

The income tax effects of items recorded in either other comprehensive income or equity are recognised in the consolidated statement of comprehensive income or the consolidated statement of changes in shareholders' equity respectively. Otherwise, income tax is recognised in the consolidated income statement.

#### *Current tax*

Current income tax assets and/or liabilities comprise amounts expected to be recovered or paid to HM Revenue & Customs, the Australian Taxation Office, the United States Internal Revenue Service and other fiscal authorities relating to the current or prior reporting periods, which are unpaid at the reporting date. Current tax is payable on taxable income that differs from the consolidated statements of comprehensive income in the financial statements due to permanent and temporary timing differences. The calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

#### *Deferred tax*

Deferred income taxes represent temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their corresponding tax bases used in the computation of taxable income. However, deferred tax is not provided on the initial recognition of goodwill, or the initial recognition of an asset or liability (other than in a business combination) in a transaction that affects neither tax nor accounting income.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are generally provided for in full.

Deferred tax assets are recognised to the extent that they are expected to reverse in the foreseeable future and it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results. Deferred tax assets are adjusted for significant non-taxable income, expenses and specific limits on the use of any unused tax loss or credit. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates and laws that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilised.

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Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the consolidated statements of comprehensive income, except where they relate to items that are recognised in other comprehensive income (loss) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income (loss) or equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### *Other taxes*

Revenues, expenses and assets are recognised net of the amount of goods and services tax, value-added tax and other sales taxes, except:

- When the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables, which are stated with the amount of sales tax included
- The net amount of sales tax recoverable from and payable to the taxation authority is included as part of receivables and payables in the statements of financial position
- Cash flows are included in the statements of cash flows on a gross basis and the sales tax component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority, is classified as part of operating cash flows; and
- Commitments and contingencies are disclosed net of the amount of sales tax recoverable from or payable to the taxation authority.

### **d) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

### *Group as a lessee*

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Expenses incurred in operating leases (net of any incentives received from the lessor) are charged to the

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consolidated statements of comprehensive income on a straight-line basis over the term of the lease. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and a reduction of the liability.

### *Group as a Lessor*

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term as rental income.

### **e) Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. Settlements of pre-existing relationships are not included in the consideration transferred. Such amounts are recognised in the statements of comprehensive income. Identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values at the acquisition date. Upon acquisition, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Where a business combination is achieved in stages, the Group recognises the gain or loss from remeasuring the equity interest previously held to fair value at the acquisition date through the consolidated statements of comprehensive income. Acquisition-related costs are expensed as incurred and included in "general and administration" expenses. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange.

### **f) Goodwill**

Goodwill is initially measured at cost, which is the excess of the aggregate of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets (assets acquired less liabilities assumed) of the subsidiary acquired; the difference is recognised in the consolidated statements of comprehensive income. After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's CGU that is expected to benefit from the combination, regardless of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU 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 the disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

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### **g) Impairment of non-financial assets**

The following assets have specific characteristics for impairment testing:

#### *Goodwill*

Goodwill is tested for impairment annually during the fourth quarter of the Company's financial year and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

#### *Intangible assets*

Intangible assets with indefinite useful lives are tested for impairment annually, during the fourth quarter, and when circumstances indicate that the carrying value may be impaired. When the recoverable amount of an intangible asset is less than its carrying amount, an impairment loss is recognised.

### **h) Cash and cash equivalents**

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less when initially recorded. Cash equivalents also include amounts due from third-party credit card processors as they are both short-term and highly liquid in nature and are typically converted to cash within three days of the sales transaction. For the purpose of the consolidated statements of cash flows, cash and cash equivalents are presented net of outstanding bank overdrafts.

### **i) Trade receivables**

Trade receivables are recognised at fair value, less a provision for impairment. Trade receivables are unsecured and generally due for settlement within 30 days of recognition. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

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The amount of the impairment loss is recognised within “general and administration” expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against an allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the consolidated statements of comprehensive income.

### **j) Investments and other financial assets**

#### *Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and the classification depends on the purpose for which the investments were acquired. In the case of assets classified as held-to-maturity, management re-evaluates this designation at the end of each reporting period. The Group’s financial assets include cash and cash equivalents, trade and other receivables, tax receivables, and short-term and long-term deposits with fixed interest rates classified under “other financial assets” and “other non-current assets,” respectively.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 9) in the statements of financial position.

#### *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### *Measurement*

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

Loans, receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective-interest method.

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### *Impairment*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the consolidated statements of comprehensive income.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statements of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

Impairment testing of trade receivables is described in note 2 above, under the heading trade receivables.

### **k) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets is based on quoted market prices at the statements of financial position date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial

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instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the statements of financial position date.

The carrying value, less the impairment provision of trade receivables and payables, is assumed to approximate the fair value 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 current market interest rate that is available to the Group for similar financial instruments.

### **1) Property, plant, and equipment**

Property, plant, and equipment are stated at historical cost, less depreciation and accumulated impairment losses. Historical cost includes expenditures directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost over the estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the lease term if shorter. Ranges of the estimated useful lives for each asset class are as follows:

- Plant and equipment – three to ten years
- Computer hardware and computer-related software – three to five years
- Furniture and fittings – five to ten years; and
- Leasehold improvements – lesser of seven years or the lease term

The residual values and useful lives of assets are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so

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that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statements of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

An item of property, plant, and equipment is derecognised upon disposal when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the consideration received with the carrying amount. These are included in the consolidated statements of comprehensive income under the “general and administration” line item.

### **m) Intangible assets**

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost, less accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. If there are indicators of impairment, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statements of comprehensive income in the expense category, consistent with the function of the intangible asset.

Gains or losses arising from derecognition 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 consolidated statements of comprehensive income when the asset is derecognised.

### *Research and development costs*

All 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 sale or use, its intention to complete and its ability to use or sell the intangible asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to reliably measure the expenditure attributable to the intangible

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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, and development costs are amortised over the period of expected future benefit.

### *Patents, trademarks, and other rights*

Acquired trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives, which vary from two to seven years.

### *Customer relationships*

Acquired customer relationships are carried at cost, less accumulated amortisation and impairment losses. These intangible assets have been assessed as having a finite life and are amortised using the straight-line method over a period of two to four years.

### *Software*

Acquired software is carried at cost, less accumulated amortisation and accumulated impairment losses. These intangible assets have been assessed as having a finite life and are amortised using the straight-line method over a period of one to ten years.

## **n) Trade and other payables**

These amounts represent unpaid liabilities for goods and services provided to the Group prior to the end of the financial year. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective-interest method.

## **o) Provisions**

Provisions for legal claims, service warranties and dilapidation, or make-good, obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance costs.

### **p) Employee benefits**

#### *Wages, salaries, and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured as the present value of expected future payments to be made. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

#### *Long service leave*

The liability for long service leave, which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service, is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected-unit-credit method. Consideration is given to expected future wage and salary levels, historical trends in employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Share-based payments*

Employees of the Company receive remuneration for services rendered in the form of share-based payments (equity instruments), which are considered equity-settled transactions. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The consolidated statements of comprehensive income expense or credit for a period reflects the movement in cumulative expense recognised at the beginning and end of that period and is recognised in employee benefits expense. No expense is recognised for shares that do not ultimately vest.

The estimation of share awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from current estimates, such amounts will be

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recorded as a cumulative adjustment in the period the estimates are revised. Actual results, and future changes in estimates, may differ substantially from current estimates.

When the terms of an equity-settled transaction are modified, the minimum expense is recognised as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had forfeited on the date of cancellation, and any expense previously recognised for unvested shares is immediately reversed. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

### **q) Shareholders' equity**

Preference, ordinary and restricted shares are classified as equity. When the Group purchases its own equity instruments, for example as the result of a share buyback or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Company as treasury shares, until the shares are cancelled or reissued. When such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Refer to note 19 for the terms and conditions on preference, ordinary, and restricted shares.

### **r) Dividends**

Provision is made for any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### **s) Royalties**

Royalties payable are recognised as an expense on an accruals basis in accordance with the applicable royalty agreement.

### **Changes in accounting policies and disclosures**

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 June 2013 and have a material impact on the Group:

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### *IFRS 13 Fair value measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. The fair value hierarchy is provided in note 4.

### *IAS 1 Presentation of items of other comprehensive income – Amendments to IAS 1*

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified to profit or loss at a future point in time have to be presented separately from items that will not be reclassified. The amendments affect presentation only and have no impact on the Group's financial position or performance.

### *IAS 1 Clarification of the requirement for comparative information (Amendment)*

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period.

The amendments clarify that the opening statement of financial position (as at 1 July 2012) in the case of the Group), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1 July 2012. The amendments affect presentation only and have no impact on the Group's financial position or performance.

### *IAS 19 Employee benefits (Revised 2011)*

The Group applied IAS 19 (Revised 2011) in the current period, which changes the accounting for short-term employment benefits. The Group's accrued leave provision reflects management's best estimates regarding the likelihood of future events. Also, where the effect of the time value of money is material, the amount of a provision is recorded at the present value of the expenditures expected to be required to settle the obligation.

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### *Early adoption of standards*

The Group has elected not to apply pronouncements before their operative date in the financial reporting period beginning 1 July 2013.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

#### **IFRS 9 – Financial instruments**

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The Group will quantify the effect of the first phase of the proposed standard in conjunction with the other phases, when the final standard including all phases is issued.

#### **IFRS 15 – Revenue from contracts with customers**

In May 2014, the IASB (in a joint effort with the Financial Accounting Standards Board) issued IFRS 15, *Revenue from Contracts with Customers*, which supersedes most current revenue recognition requirements. The primary objective of the new guidance is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. This guidance is effective for the Group beginning for its financial year ending 30 June 2018 and early application is permitted under IFRS. Entities must also adopt this guidance retrospectively upon application.

The Group is currently evaluating the standard to determine the impact of its adoption on the consolidated financial statements.

### **3. Critical accounting estimates and judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenues, and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be

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reasonable under the circumstances, the result of which forms the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial results or the financial position reported in future periods.

Management has identified the following critical accounting policies for which significant judgements, estimates, and assumptions are made.

### **Significant accounting judgements**

#### *Taxation*

Deferred tax assets are recognised for deductible temporary differences that management considers it is probable that future taxable income will be available to utilise those temporary differences. Significant management judgment 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 income, together with future tax-planning strategies.

Management judgment is required to determine the extent to which deferred tax assets should be recognised based upon the likely timing and the level of future taxable income available to utilise the Group's deferred tax benefits. Assumptions about the generation of future taxable income depend on management's estimates of future cash flows, future business expectations, capital expenditure, dividends, and other capital management transactions.

Management judgment is also required in relation to the application of income tax legislation, which involves an element of inherent risk and uncertainty. Where management judgment is found to be misplaced, some or all of recognised deferred tax asset and liability carrying amounts may require adjustment, resulting in a corresponding credit or charge to the consolidated statements of comprehensive income.

#### *Impairment of non-financial assets*

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments, and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. No indicators of impairment existed that were significant enough to warrant such assets to be tested for impairment in the years ended 30 June 2014 and 2013.

#### *Fair value measurement of contingent consideration*

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination, and subsequent changes in fair value are recorded on the consolidated statement of comprehensive income. The determination of fair

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value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

### **Significant accounting estimates and assumptions**

#### *Revenue*

As described in the revenue accounting policy, revenue will be recognised when all criteria are met in accordance with IAS 18, *Revenue*. Most of the Group's revenue-generating arrangements include more than one deliverable. Assumptions have to be applied in order to determine when to account for deliverables separately and how to allocate the total arrangement fee to its individual elements. The Group does not allocate different deliverables under one arrangement separately if a basis for allocating the overall arrangement fee cannot be identified. The Group has concluded that a reasonable allocation basis exists if vendor-specific objective evidence of fair value can be established for each undelivered software element in an arrangement. However, estimation is required and the Group's conclusions around the approach to allocate fair value may significantly impact the timing and amount of revenue recognised.

#### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model for stock options and a lattice-based model for restricted share units ("RSUs") based on the private company valuation of common stock. The accounting estimates and assumptions relating to equity-settled share-based payments may impact expenses, equity, and the carrying amounts of liabilities within the next financial reporting period.

#### *Estimation of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

#### *Dilapidation provisions*

A dilapidation, or make-good, provision has been made for the present value of anticipated costs of future restoration of certain leased premises. The provision includes future cost estimates associated with removal of fixtures and replacement of fittings. The calculation of this provision requires assumptions such as engineering cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each office is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for offices are recognised in the consolidated statements of financial position.

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### 4. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Management regularly reviews the Group's risk objectives to ensure that risks are identified and managed appropriately. The Board of Directors is made aware of and reviews management's risk assessments prior to entering into significant transactions.

#### Market risk

##### *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from exposure to various currencies, primarily the Australian dollar, British pound, euro, Japanese yen and Philippine peso. Foreign exchange risk arises from future commercial transactions and recognised financial assets and liabilities denominated in a currency that is not in U.S. dollars. Management has set up a policy requiring group companies to manage their foreign exchange risk against their functional currency.

The Group had the following exposures to foreign currencies, which are not externally hedged:

|                                  | 2014                          | 2013          |
|----------------------------------|-------------------------------|---------------|
|                                  | <i>(U.S. \$ in thousands)</i> |               |
| <b>Cash and cash equivalents</b> |                               |               |
| Australian dollar                | 2,560                         | 11,481        |
| Euro                             | 637                           | 1,917         |
| Japanese yen                     | 16                            | 101           |
| Philippine peso                  | 33                            | –             |
|                                  | <b>3,246</b>                  | <b>13,499</b> |
| <b>Trade receivables</b>         |                               |               |
| Australian dollar                | 553                           | 132           |
| Euro                             | 197                           | 66            |
| British pound                    | 32                            | –             |
| Philippine peso                  | 27                            | –             |
|                                  | <b>809</b>                    | <b>198</b>    |
| <b>Other financial assets</b>    |                               |               |
| Australian dollar                | –                             | 588           |
| <b>Current tax receivables</b>   |                               |               |
| Australian dollar                | –                             | 3,388         |

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### Other non-current assets

|                   |            |              |
|-------------------|------------|--------------|
| Australian dollar | 482        | 1,166        |
| Euro              | 62         | 62           |
| Japanese yen      | 41         | —            |
| Philippine peso   | 63         | —            |
| Swiss franc       | 224        | —            |
|                   | <u>872</u> | <u>1,228</u> |

### Trade and other payables

|                   |              |              |
|-------------------|--------------|--------------|
| Australian dollar | 8,194        | 7,097        |
| Euro              | 1,203        | 832          |
| British pound     | 98           | —            |
| Japanese yen      | 131          | —            |
| Philippine peso   | 60           | —            |
|                   | <u>9,686</u> | <u>7,929</u> |

**2014**                      **2013**

*(U.S. \$ in thousands)*

### Current tax liabilities

|              |            |           |
|--------------|------------|-----------|
| Euro         | 59         | 46        |
| Japanese yen | 83         | —         |
|              | <u>142</u> | <u>46</u> |

**2014**                      **2013**

*(U.S. \$ in thousands)*

### Other non-current liabilities

|                   |              |              |
|-------------------|--------------|--------------|
| Australian dollar | 2,366        | 1,384        |
| Euro              | 12           | 35           |
| Japanese yen      | 19           | —            |
|                   | <u>2,397</u> | <u>1,419</u> |

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The table below illustrates the sensitivity of the Group's financial assets and liabilities to foreign exchange and the impact a in the exchange rates would have on the Group's financial operations.

|                                           | Carrying<br>Amount | Foreign Exchange Risk |              |                |              |
|-------------------------------------------|--------------------|-----------------------|--------------|----------------|--------------|
|                                           |                    | -10%                  |              | +10%           |              |
|                                           |                    | Income                | Other Equity | Loss           | Other Equity |
| (U.S. \$ in thousands)                    |                    |                       |              |                |              |
| <b>As at 30 June 2014</b>                 |                    |                       |              |                |              |
| Financial assets:                         |                    |                       |              |                |              |
| Cash and cash equivalents                 | 116,766            | 263                   | 62           | (263)          | (62)         |
| Trade and other receivables               | 4,749              | 59                    | 24           | (59)           | (24)         |
| Other financial assets                    | 45,235             | —                     | —            | —              | —            |
| Current tax receivables                   | 1,413              | —                     | —            | —              | —            |
| Other non-current assets                  | 3,040              | 71                    | 17           | (71)           | (17)         |
| Total exposure from financial assets      |                    | <b>393</b>            | <b>103</b>   | <b>(393)</b>   | <b>(103)</b> |
| Financial liabilities:                    |                    |                       |              |                |              |
| Trade and other payables                  | 37,275             | (849)                 | (120)        | 849            | 120          |
| Current tax liabilities                   | 276                | —                     | (14)         | —              | 14           |
| Other non-current liabilities             | 1,567              | (237)                 | (3)          | 237            | 3            |
| Total exposure from financial liabilities |                    | <b>(1,086)</b>        | <b>(137)</b> | <b>1,086</b>   | <b>137</b>   |
| <b>As at 30 June 2013</b>                 |                    |                       |              |                |              |
| Financial assets:                         |                    |                       |              |                |              |
| Cash and cash equivalents                 | 90,166             | 1,158                 | 192          | (1,158)        | (192)        |
| Trade and other receivables               | 2,068              | 13                    | 7            | (13)           | (7)          |
| Other financial assets                    | 11,053             | 59                    | —            | (59)           | —            |
| Current tax receivables                   | 3,388              | 339                   | —            | (339)          | —            |
| Other non-current assets                  | 5,906              | 117                   | 6            | (117)          | (6)          |
| Total exposure from financial assets      |                    | <b>1,686</b>          | <b>205</b>   | <b>(1,686)</b> | <b>(205)</b> |
| Financial liabilities:                    |                    |                       |              |                |              |
| Trade and other payables                  | 20,288             | 710                   | 83           | (710)          | (83)         |
| Current tax liabilities                   | 1,040              | —                     | 5            | —              | (5)          |
| Other non-current liabilities             | 4,370              | 138                   | 3            | (138)          | (3)          |
| Total exposure from financial liabilities |                    | <b>848</b>            | <b>91</b>    | <b>(848)</b>   | <b>(91)</b>  |

### *Interest rate risk*

The Group's exposure to interest rate risk is low, as 65% and 93% of its financial assets and liabilities, respectively, are current and have maturities less than three months, thereby reducing its exposure to interest rate fluctuations. The carrying value of cash and cash equivalents approximate their fair value, as they are highly liquid and short term in nature.

Short-term and long-term investments held by the Group are in the form of term deposits with fixed interest rates, thereby limiting any exposure related to interest rate fluctuations. The Group does not have any long-term debt or financial liabilities with floating interest rates that would subject it to interest rate fluctuations. Based on such facts, the Group considers interest rate fluctuations to have a minimal impact on its future cash outflows.

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### **Credit risk**

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of AA- are accepted.

The Group's customer base is highly diversified, thereby limiting credit risk. The Group manages its credit risk with customers by closely monitoring its receivables. Sales are typically settled using major credit cards, mitigating credit risk. No one customer represented more than 1% of revenues in the current financial year.

### **Liquidity risk**

#### *Maturities of Financial Assets and Liabilities*

The following tables present the Group's financial assets and liabilities based on their contractual maturities. The amounts disclosed in the tables are the contractual, undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The Group evaluated its liquidity risk based on its cash inflows and outflows for the next 12 months and concluded it to be low. The Group had sufficient cash in the short term as at 30 June 2014 to meet its long-term cash outflows and it does not expect the impact of a discounted cash flow analysis to change the conclusion of its risk assessment. The Group's long-term commitments representing its undiscounted future cash outflows are disclosed in note 23.

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## Contractual Maturities of Current Financial Assets and Liabilities

|                             | Up to<br>Three Months         | Four to<br>12 Months | Total<br>Contractual<br>Cash Flows |
|-----------------------------|-------------------------------|----------------------|------------------------------------|
|                             | <i>(U.S. \$ in thousands)</i> |                      |                                    |
| <b>As at 30 June 2014</b>   |                               |                      |                                    |
| Financial assets:           |                               |                      |                                    |
| Cash and cash equivalents   | 116,766                       | –                    | 116,766                            |
| Trade and other receivables | 4,528                         | 221                  | 4,749                              |
| Other financial assets      | 15,235                        | 30,000               | 45,235                             |
| Current tax receivables     | –                             | 1,413                | 1,413                              |
| Financial liabilities:      |                               |                      |                                    |
| Trade and other payables    | (37,275)                      | –                    | (37,275)                           |
| Current tax liabilities     | –                             | (276)                | (276)                              |
| Provisions                  | –                             | (2,622)              | (2,622)                            |
| Other current liabilities   | –                             | (1,094)              | (1,094)                            |
|                             | <b>99,254</b>                 | <b>27,642</b>        | <b>126,896</b>                     |
| <b>As at 30 June 2013</b>   |                               |                      |                                    |
| Financial assets:           |                               |                      |                                    |
| Cash and cash equivalents   | 90,166                        | –                    | 90,166                             |
| Trade and other receivables | 2,068                         | –                    | 2,068                              |
| Current tax receivables     | 3,388                         | –                    | 3,388                              |
| Other financial assets      | 10,465                        | 588                  | 11,053                             |
| Financial liabilities:      |                               |                      |                                    |
| Trade and other payables    | (20,288)                      | –                    | (20,288)                           |
| Current tax liabilities     | (1,040)                       | –                    | (1,040)                            |
| Provisions                  | –                             | (2,831)              | (2,831)                            |
| Other current liabilities   | –                             | (3,003)              | (3,003)                            |
|                             | <b>84,759</b>                 | <b>(5,246)</b>       | <b>79,513</b>                      |

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### Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value.

The Group manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, or consider external lending options. No material changes were made to the process of managing capital during the years ended 30 June 2014 and 2013.

### Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

IFRS 13, *Fair value measurement*, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The fair value of financial instruments traded in active markets is included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Group estimated the fair value of the acquisition-related contingent consideration using a probability-weighted discounted cash flow model. This fair value was based on significant inputs not observed in the market and, thus, represents all Level 3 inputs. The significant unobservable inputs include management's evaluation of the probabilities of certain outcomes as well as management's forecasts used as inputs to the discounted cash flow model.

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The following table sets out the Group's financial instruments that were measured at fair value on a recurring basis as at 30 June 2014 and 2013, by level within the fair value hierarchy. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgements and considers factors specific to the asset or liability.

The following table presents the Group's financial assets and liabilities measured and recognised at fair value as at 30 June 2014:

|                                                      | Level 1                       | Level 2 | Level 3    | Total      |
|------------------------------------------------------|-------------------------------|---------|------------|------------|
|                                                      | <i>(U.S. \$ in thousands)</i> |         |            |            |
| <b>Balance sheet line item – description</b>         |                               |         |            |            |
| Other current liabilities – contingent consideration | –                             | –       | 248        | 248        |
| <b>Total financial liabilities</b>                   | –                             | –       | <b>248</b> | <b>248</b> |

The following table presents the changes in Level 3 instruments for the year ended 30 June 2014.

|                                           | <b>2014</b>                   |
|-------------------------------------------|-------------------------------|
|                                           | <i>(U.S. \$ in thousands)</i> |
| <b>Contingent consideration</b>           |                               |
| Opening balance as at 1 July 2013         | 3,174                         |
| Payments                                  | (2,936)                       |
| Changes in fair value                     | 10                            |
| <b>Closing balance as at 30 June 2014</b> | <b>248</b>                    |

The following table presents the Group's financial assets and liabilities measured and recognised at fair value as at 30 June 2013:

|                                                          | Level 1                       | Level 2 | Level 3      | Total        |
|----------------------------------------------------------|-------------------------------|---------|--------------|--------------|
|                                                          | <i>(U.S. \$ in thousands)</i> |         |              |              |
| <b>Balance sheet line item – description</b>             |                               |         |              |              |
| Other current liabilities – contingent consideration     | –                             | –       | 3,003        | 3,003        |
| Other non-current liabilities – contingent consideration | –                             | –       | 171          | 171          |
| <b>Total financial liabilities</b>                       | –                             | –       | <b>3,174</b> | <b>3,174</b> |

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The following table presents the changes in Level 3 instruments for the year ended 30 June 2013:

|                                           | <i>(U.S. \$<br/>in thousands)</i> |
|-------------------------------------------|-----------------------------------|
| <b>Contingent consideration</b>           |                                   |
| Opening balance as at 1 July 2012         | 2,471                             |
| Changes in fair value                     | <u>703</u>                        |
| <b>Closing balance as at 30 June 2013</b> | <u><b>3,174</b></u>               |

## Atlassian Corporation Plc

### 5. Group information

#### *Information about subsidiaries*

During 2014, the shareholders of the former parent company, Atlassian Corporation Pty. Ltd., approved a formal business entity reorganisation whereby Atlassian Corporation Plc, a United Kingdom public limited company, became the parent of the Group. See further discussion in note 2. The resulting structure and entities that are consolidated into the Group financial statements are listed below:

| Name                              | Country of Incorporation | % of Equity Interest |      |
|-----------------------------------|--------------------------|----------------------|------|
|                                   |                          | 2014                 | 2013 |
| Atlassian (UK) Limited            | United Kingdom           | 100                  | *    |
| Atlassian (Australia) Limited     | United Kingdom           | 100                  | *    |
| Atlassian LLC                     | United States of America | 100                  | *    |
| Atlassian (Global) Limited        | United Kingdom           | 100                  | *    |
| Atlassian, Inc.                   | United States of America | 100                  | 100  |
| Atlassian Network Services, Inc.  | United States of America | 100                  | 100  |
| Atlassian Australia 1 Pty Ltd     | Australia                | 100                  | *    |
| Atlassian Australia 2 Pty Ltd     | Australia                | 100                  | *    |
| Atlassian Corporation Pty. Ltd.   | Australia                | 100                  | 100  |
| Atlassian K.K.                    | Japan                    | 100                  | 100  |
| Atlassian B.V.                    | Netherlands              | 100                  | 100  |
| Atlassian Philippines, Inc.       | Philippines              | 100                  | *    |
| Atlassian (UK) Operations Limited | United Kingdom           | 100                  | *    |
| MITT Australia Pty Ltd            | Australia                | 100                  | 100  |
| MITT Trust                        | Australia                | 100                  | 100  |
| Atlassian Pty Ltd                 | Australia                | 100                  | 100  |
| Atlassian Capital Pty. Ltd.       | Australia                | 100                  | 100  |

\* - Entity did not exist in fiscal 2013.

#### *The Holding Company*

The ultimate holding company of the Group is Atlassian Corporation Plc.

The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

## Atlassian Corporation Plc

### *Subsidiaries exempt from audit*

The following United Kingdom subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 30 June 2014.

| <b>Name</b>                       | <b>Registration number</b> |
|-----------------------------------|----------------------------|
| Atlassian (UK) Limited            | 8777838                    |
| Atlassian (Australia) Limited     | 8779888                    |
| Atlassian (Global) Limited        | 8781674                    |
| Atlassian (UK) Operations Limited | 8855064                    |

### **6. Other non-operating income (expense), net**

Other non-operating income (expense), net comprises the following:

|                                            | <b>2014</b>                   | <b>2013</b>    |
|--------------------------------------------|-------------------------------|----------------|
|                                            | <i>(U.S. \$ in thousands)</i> |                |
| Foreign currency exchange gain (loss), net | 595                           | (1,888)        |
| Other income (expense)                     | 13                            | (30)           |
|                                            | <b>608</b>                    | <b>(1,918)</b> |

The foreign currency exchange gain in financial year 2014 is primarily associated with the remeasurement of monetary assets denominated in the Australian dollar and is a result of the appreciation of the Australian dollar against the U.S. dollar over the course of the financial year.

## Atlassian Corporation Plc

### 7. Expenses

Income before income tax includes the following expenses:

|                                             | <u>2014</u>                   | <u>2013</u>          |
|---------------------------------------------|-------------------------------|----------------------|
|                                             | <i>(U.S. \$ in thousands)</i> |                      |
| Depreciation:                               |                               |                      |
| Plant and equipment                         | 356                           | 276                  |
| Computer hardware and software              | 3,444                         | 2,654                |
| Furniture and fittings                      | 180                           | 174                  |
| Leasehold improvements                      | 1,647                         | 1,194                |
| <b>Total depreciation</b>                   | <u>5,627</u>                  | <u>4,298</u>         |
| Amortisation:                               |                               |                      |
| Patents and trademarks                      | 31                            | 31                   |
| Customer relationships                      | 67                            | 98                   |
| Software                                    | 7,591                         | 7,633                |
| <b>Total amortisation</b>                   | <u>7,689</u>                  | <u>7,762</u>         |
| <b>Total depreciation and amortisation</b>  | <u><u>13,316</u></u>          | <u><u>12,060</u></u> |
| Employee benefits expense:                  |                               |                      |
| Salaries and wages                          | 68,711                        | 51,065               |
| Variable compensation                       | 8,645                         | 8,361                |
| Payroll taxes                               | 5,133                         | 3,587                |
| Share-based payments                        | 11,364                        | 3,491                |
| Defined contribution superannuation expense | 4,903                         | 3,666                |
| Contractor expense                          | 14,865                        | 9,190                |
| Other                                       | 12,250                        | 10,138               |
| <b>Total employee benefits expense</b>      | <u><u>125,871</u></u>         | <u><u>89,498</u></u> |

The average monthly number of full-time equivalents during the year was made up as follows:

|                            | <u>2014</u>       | <u>2013</u>       |
|----------------------------|-------------------|-------------------|
| Cost of sales              | 159               | 134               |
| Research and development   | 399               | 277               |
| Sales and marketing        | 109               | 80                |
| General and administration | 130               | 86                |
|                            | <u><u>797</u></u> | <u><u>577</u></u> |

## Atlassian Corporation Plc

### 8. Income tax

The major components of income tax expense are as follows:

|                                                                       | <b>2014</b>                   | <b>2013</b>       |
|-----------------------------------------------------------------------|-------------------------------|-------------------|
|                                                                       | <i>(U.S. \$ in thousands)</i> |                   |
| Current income tax:                                                   |                               |                   |
| Current income tax charge                                             | 10,760                        | 2,695             |
| Adjustments in respect of current income tax of previous year         | (281)                         | 4                 |
| Deferred tax:                                                         |                               |                   |
| Benefit relating to origination and reversal of temporary differences | (7,233)                       | (2,057)           |
| Income tax expense                                                    | <u><b>3,246</b></u>           | <u><b>642</b></u> |

A reconciliation between tax expense and the product of accounting income multiplied by UK's domestic tax rate for the years ended 30 June 2014 and 2013, is as follows:

As a result of the reorganisation completed during the 2014 financial year, prior year financial comparatives have been adjusted to the UK statutory tax rate of 23.75% instead of the Australian statutory tax rate of 30% as presented in the 2013 financial statements.

|                                                                                                     | <b>2014</b>                   | <b>2013</b>       |
|-----------------------------------------------------------------------------------------------------|-------------------------------|-------------------|
|                                                                                                     | <i>(U.S. \$ in thousands)</i> |                   |
| Accounting income before income tax                                                                 | 22,228                        | 11,403            |
| At the United Kingdom's statutory income tax rate of 22.5% and 23.8% in 2014 and 2013, respectively | 5,001                         | 2,708             |
| Tax effect of amounts that are not deductible (taxable) in calculating taxable income:              |                               |                   |
| Research and development deduction                                                                  | (4,542)                       | (3,941)           |
| Effect of change in functional currency                                                             | –                             | (302)             |
| Share-based payment                                                                                 | 1,563                         | 472               |
| Foreign tax credits not utilised                                                                    | 2,345                         | –                 |
| Amortisation of intangible assets that do not give rise to deferred taxes                           | 1,380                         | 1,389             |
| Non assessable non-operating items                                                                  | (4,242)                       | –                 |
| Foreign tax rate adjustment                                                                         | 726                           | 918               |
| Adjustment to deferred tax balance                                                                  | 829                           | (518)             |
| Other items, net                                                                                    | 467                           | (88)              |
|                                                                                                     | <u><b>3,527</b></u>           | <u><b>638</b></u> |
| Adjustments in respect to current income tax of previous years                                      | (281)                         | 4                 |
| Income tax expense                                                                                  | <u><b>3,246</b></u>           | <u><b>642</b></u> |

## Atlassian Corporation Plc

### Deferred tax

|                                                                               | Consolidated Statement of<br>Financial Position |               | Consolidated Statement of<br>Comprehensive Income |       |
|-------------------------------------------------------------------------------|-------------------------------------------------|---------------|---------------------------------------------------|-------|
|                                                                               | 2014                                            | 2013          | 2014                                              | 2013  |
|                                                                               | (U.S. \$ in thousands)                          |               | (U.S. \$ in thousands)                            |       |
| Depreciation and amortisation<br>for tax purposes – Australia                 | 4,564                                           | 3,804         | 760                                               | 732   |
| Depreciation and amortisation<br>for tax purposes – U.S.                      | (1,184)                                         | (1,656)       | 472                                               | 181   |
| Provisions, accruals and prepayments                                          | 2,724                                           | 2,418         | 307                                               | 1,316 |
| Unrealised foreign currency exchange<br>losses (gains)                        | (201)                                           | 429           | (630)                                             | 641   |
| Carried forward tax losses (gains)                                            | –                                               | 7             | (7)                                               | (847) |
| Carried forward tax losses – equity                                           | 4,975                                           | –             | –                                                 | –     |
| Carried forward tax credits – credited to<br>profit and loss                  | 4,787                                           | 216           | 4,571                                             | (847) |
| Carried forward tax credits – credited to<br>payable                          | 349                                             | –             | –                                                 | –     |
| Tax benefit from share plans – income                                         | 2,479                                           | 572           | 1,907                                             | 572   |
| Tax benefit from share plans – equity                                         | 26,041                                          | 4,155         | (585)                                             | –     |
| Other, net                                                                    | 752                                             | 313           | 438                                               | 309   |
| Deferred tax income                                                           | –                                               | –             | 7,233                                             | 2,057 |
| Deferred tax assets, net                                                      | <u>45,286</u>                                   | <u>10,258</u> |                                                   |       |
| Reflected in the consolidated statements of<br>financial position as follows: |                                                 |               |                                                   |       |
| Deferred tax assets                                                           | 48,222                                          | 13,021        |                                                   |       |
| Deferred tax liabilities                                                      | (2,936)                                         | (2,763)       |                                                   |       |
| Deferred tax assets, net                                                      | <u>45,286</u>                                   | <u>10,258</u> |                                                   |       |
| Amounts recognised directly in equity:                                        |                                                 |               |                                                   |       |
| Net deferred tax – credited directly to<br>equity                             | <u>32,530</u>                                   | <u>4,155</u>  |                                                   |       |
|                                                                               | <u>32,530</u>                                   | <u>4,155</u>  |                                                   |       |
| Unrecognised temporary differences:                                           |                                                 |               |                                                   |       |
| Research and development credits                                              | 891                                             | 1,199         |                                                   |       |
|                                                                               | <u>891</u>                                      | <u>1,199</u>  |                                                   |       |

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|                                                   | <b>2014</b>                   | <b>2013</b>          |
|---------------------------------------------------|-------------------------------|----------------------|
|                                                   | <i>(U.S. \$ in thousands)</i> |                      |
| <b>Reconciliation of deferred tax assets, net</b> |                               |                      |
| Opening balance as at 1 July                      | 10,258                        | 4,046                |
| Deferred tax charge for the year                  | 7,233                         | 1,826                |
| Effect of change in functional currency           | –                             | 231                  |
| Credited to equity                                | 32,530                        | 4,155                |
| Adjustment in respect of income tax payable       | <u>(4,735)</u>                | <u>–</u>             |
| Closing balance as at 30 June                     | <b><u>45,286</u></b>          | <b><u>10,258</u></b> |

The \$32.5 million and \$4.2 million credited to equity in 2014 and 2013, respectively, represents the deferred tax benefit of share-based payments in excess of the cumulative expense recognised to date of the share-based award. The total deferred tax benefit is determined using the intrinsic value of the share-based award as at the reporting date.

The Group has tax losses of \$14.6 million that are available until 2034 for offsetting against future taxable profits of the companies in which the losses arose.

### 9. Trade and other receivables

|                                                                                              | <b>2014</b>                   | <b>2013</b>         |
|----------------------------------------------------------------------------------------------|-------------------------------|---------------------|
|                                                                                              | <i>(U.S. \$ in thousands)</i> |                     |
| Trade receivables                                                                            | 3,818                         | 1,805               |
| Unbilled receivables                                                                         | –                             | 50                  |
| Provision for impairment of receivables (see “Impaired Trade Receivables” below for details) | <u>(4)</u>                    | <u>–</u>            |
|                                                                                              | 3,814                         | 1,855               |
| Accrued interest income                                                                      | 45                            | 74                  |
| Other receivables                                                                            | <u>890</u>                    | <u>139</u>          |
| <b>Total trade and other receivables – current</b>                                           | <b><u>4,749</u></b>           | <b><u>2,068</u></b> |

As at 30 June 2014, three channel partners individually accounted for more than 10% of the total trade receivables balance. Those partners represented 12%, 10%, and 10%, respectively.

As at 30 June 2013, three channel partners individually accounted for more than 10% of the total trade receivables. Those partners represented 26%, 22%, and 20%, respectively.

## Atlassian Corporation Plc

### Impaired trade receivables

As at 30 June 2014, the Group had a provision for impaired receivables of approximately \$4,000. The ageing of these receivables is as follows:

|                     | <u>2014</u>                   | <u>2013</u> |
|---------------------|-------------------------------|-------------|
|                     | <i>(U.S. \$ in thousands)</i> |             |
| Three to six months | –                             | –           |
| Over six months     | 4                             | –           |
|                     | <u>4</u>                      | <u>–</u>    |

The following represents the movements in the provision for impairment of receivables:

|                        | <u>2014</u>                   | <u>2013</u> |
|------------------------|-------------------------------|-------------|
|                        | <i>(U.S. \$ in thousands)</i> |             |
| As at 1 July           | –                             | 47          |
| Charge for the year    | 4                             | –           |
| Unused amount reversed | –                             | (47)        |
| As at 30 June          | <u>4</u>                      | <u>–</u>    |

### Past due but not impaired

As at 30 June 2014, trade receivables of \$1.3 million were past due but not impaired. At 30 June 2013, trade receivables of \$0.2 million were past due but not impaired. These relate to a number of partners and customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

|                     | <u>2014</u>                   | <u>2013</u> |
|---------------------|-------------------------------|-------------|
|                     | <i>(U.S. \$ in thousands)</i> |             |
| Up to three months  | 1,279                         | 209         |
| Three to six months | –                             | –           |
|                     | <u>1,279</u>                  | <u>209</u>  |

### Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally required.

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### Foreign exchange and 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 4.

### 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. The fair value of securities held for certain trade receivables is insignificant, as is the fair value of any collateral sold or repledged. Refer to note 4 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

### 10. Other financial assets and other current assets

The Group's other financial assets primarily comprise short-term investments, such as term deposits, that expire within one year. These investments are classified as held-to-maturity.

Other financial assets include short-term investments, which exclusively are comprised of term deposits, are as follows:

|                        | <u>2014</u>                   | <u>2013</u>   |
|------------------------|-------------------------------|---------------|
|                        | <i>(U.S. \$ in thousands)</i> |               |
| Short-term investments | <u>45,235</u>                 | <u>11,053</u> |

Other current assets comprise prepaid expenses as follows:

|                  | <u>2014</u>                   | <u>2013</u>  |
|------------------|-------------------------------|--------------|
|                  | <i>(U.S. \$ in thousands)</i> |              |
| Prepaid expenses | <u>3,040</u>                  | <u>1,877</u> |

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### 11. Property, plant, and equipment

Property, plant, and equipment comprise the following:

|                                    | Plant and<br>Equipment        | Computer<br>Hardware and<br>Software | Furniture and<br>Fittings | Leasehold<br>Improvements | Total         |
|------------------------------------|-------------------------------|--------------------------------------|---------------------------|---------------------------|---------------|
|                                    | <i>(U.S. \$ in thousands)</i> |                                      |                           |                           |               |
| <b>As at 1 July 2012</b>           |                               |                                      |                           |                           |               |
| Cost                               | 482                           | 7,094                                | 1,009                     | 4,081                     | 12,666        |
| Accumulated depreciation           | (179)                         | (2,062)                              | (281)                     | (626)                     | (3,148)       |
| <b>Net book amount</b>             | <b>303</b>                    | <b>5,032</b>                         | <b>728</b>                | <b>3,455</b>              | <b>9,518</b>  |
| <b>As at 30 June 2013</b>          |                               |                                      |                           |                           |               |
| Opening net book amount            | 303                           | 5,032                                | 728                       | 3,455                     | 9,518         |
| Effect of change in exchange rates | 1                             | 1                                    | 2                         | —                         | 4             |
| Additions                          | 825                           | 2,352                                | 81                        | 3,985                     | 7,243         |
| Disposals                          | (13)                          | (58)                                 | —                         | (13)                      | (84)          |
| Depreciation expense               | (276)                         | (2,654)                              | (174)                     | (1,194)                   | (4,298)       |
| <b>Closing net book amount</b>     | <b>840</b>                    | <b>4,673</b>                         | <b>637</b>                | <b>6,233</b>              | <b>12,383</b> |
| <b>As at 30 June 2013</b>          |                               |                                      |                           |                           |               |
| Cost                               | 1,247                         | 9,100                                | 1,092                     | 7,650                     | 19,089        |
| Accumulated depreciation           | (407)                         | (4,427)                              | (455)                     | (1,417)                   | (6,706)       |
| <b>Net book amount</b>             | <b>840</b>                    | <b>4,673</b>                         | <b>637</b>                | <b>6,233</b>              | <b>12,383</b> |
| <b>As at 30 June 2014</b>          |                               |                                      |                           |                           |               |
| Opening net book amount            | 840                           | 4,673                                | 637                       | 6,233                     | 12,383        |
| Effect of change in exchange rates | 1                             | 3                                    | 3                         | —                         | 7             |
| Additions                          | 62                            | 7,551                                | 98                        | 1,595                     | 9,306         |
| Disposals                          | —                             | (31)                                 | —                         | —                         | (31)          |
| Depreciation expense               | (356)                         | (3,444)                              | (180)                     | (1,647)                   | (5,627)       |
| <b>Closing net book amount</b>     | <b>547</b>                    | <b>8,752</b>                         | <b>558</b>                | <b>6,181</b>              | <b>16,038</b> |
| <b>As at 30 June 2014</b>          |                               |                                      |                           |                           |               |
| Cost                               | 1,311                         | 16,369                               | 1,172                     | 9,245                     | 28,097        |
| Accumulated depreciation           | (764)                         | (7,617)                              | (614)                     | (3,064)                   | (12,059)      |
| <b>Net book amount</b>             | <b>547</b>                    | <b>8,752</b>                         | <b>558</b>                | <b>6,181</b>              | <b>16,038</b> |

## Atlassian Corporation Plc

### 12. Intangible assets

Intangible assets comprise the following:

|                           | Goodwill                      | Patents,<br>Trademarks<br>and Other<br>Rights | Software      | Employee<br>Contracts | Customer<br>Relationships | Total         |
|---------------------------|-------------------------------|-----------------------------------------------|---------------|-----------------------|---------------------------|---------------|
|                           | <i>(U.S. \$ in thousands)</i> |                                               |               |                       |                           |               |
| <b>As at 1 July 2012</b>  |                               |                                               |               |                       |                           |               |
| Cost                      | 1,724                         | 220                                           | 65,345        | 3,631                 | 374                       | 71,294        |
| Accumulated amortisation  | –                             | (11)                                          | (33,433)      | (3,631)               | (209)                     | (37,284)      |
| Net book amount           | <u>1,724</u>                  | <u>209</u>                                    | <u>31,912</u> | <u>–</u>              | <u>165</u>                | <u>34,010</u> |
| <b>As at 30 June 2013</b> |                               |                                               |               |                       |                           |               |
| Opening net book amount   | 1,724                         | 209                                           | 31,912        | –                     | 165                       | 34,010        |
| Amortisation charge       | –                             | (31)                                          | (7,633)       | –                     | (98)                      | (7,762)       |
| Closing net book amount   | <u>1,724</u>                  | <u>178</u>                                    | <u>24,279</u> | <u>–</u>              | <u>67</u>                 | <u>26,248</u> |
| <b>As at 30 June 2013</b> |                               |                                               |               |                       |                           |               |
| Cost                      | 1,724                         | 220                                           | 65,345        | 3,631                 | 374                       | 71,294        |
| Accumulated amortisation  | –                             | (42)                                          | (41,066)      | (3,631)               | (307)                     | (45,046)      |
| Net book amount           | <u>1,724</u>                  | <u>178</u>                                    | <u>24,279</u> | <u>–</u>              | <u>67</u>                 | <u>26,248</u> |
| <b>As at 30 June 2014</b> |                               |                                               |               |                       |                           |               |
| Opening net book amount   | 1,724                         | 178                                           | 24,279        | –                     | 67                        | 26,248        |
| Addition                  | –                             | –                                             | 2,149         | –                     | –                         | 2,149         |
| Amortisation charge       | –                             | (31)                                          | (7,591)       | –                     | (67)                      | (7,689)       |
| Closing net book amount   | <u>1,724</u>                  | <u>147</u>                                    | <u>18,837</u> | <u>–</u>              | <u>–</u>                  | <u>20,708</u> |
| <b>As at 30 June 2014</b> |                               |                                               |               |                       |                           |               |
| Cost                      | 1,724                         | 220                                           | 68,490        | 3,631                 | 374                       | 74,439        |
| Accumulated amortisation  | –                             | (73)                                          | (49,653)      | (3,631)               | (374)                     | (53,731)      |
| Net book amount           | <u>1,724</u>                  | <u>147</u>                                    | <u>18,837</u> | <u>–</u>              | <u>–</u>                  | <u>20,708</u> |

Additional software was acquired from independent third parties during the year ended 30 June 2014. To date, all development costs have not qualified for capitalisation and have been expensed as incurred. The remaining amortisation period for software ranged from 0.0 to 5.0 years and 0.8 to 5.7 years as at 30 June 2014 and 2013, respectively.

## Atlassian Corporation Plc

### Impairment test for goodwill

The Group operates as a single CGU and all goodwill is allocated to this unit. The recoverable amount of goodwill was assessed by comparing the market capitalisation of the Group to its book value, among other qualitative factors, when reviewing for indicators of impairment.

The recoverable amount of the CGU was determined based on a value-in-use calculation as there is no active market against which to compare the fair value of the unit. The cash flow projections were approved by management and cover a three-year period.

The key assumptions used in the calculation include:

- Discount rate of 17%
- Budgeted margins based on past performance and future expectations
- Terminal growth rate consistent with the long-term growth rate from the Consumer Price Index

The Group performed its annual impairment test noting no impairment of goodwill as at and for the year ended 30 June 2014. The Directors have reviewed likely changes in the key assumptions and concluded that no likely change in those assumptions will lead to an impairment in the goodwill balance.

### 13. Other non-current assets

Other non-current assets comprise the following:

|                          | <b>2014</b>                   | <b>2013</b>  |
|--------------------------|-------------------------------|--------------|
|                          | <i>(U.S. \$ in thousands)</i> |              |
| Security deposits        | 5,390                         | 5,128        |
| Other non-current assets | 477                           | 778          |
|                          | <b>5,867</b>                  | <b>5,906</b> |

## Atlassian Corporation Plc

### 14. Trade and other payables

|                              | <u>2014</u>                   | <u>2013</u>   |
|------------------------------|-------------------------------|---------------|
|                              | <i>(U.S. \$ in thousands)</i> |               |
| Trade payables               | 4,437                         | 1,106         |
| Accrued expenses             | 10,490                        | 6,874         |
| Corporate bonus plan accrual | 6,443                         | 5,941         |
| Retention bonus              | 4,882                         | 3,187         |
| Sales tax accrual            | 2,263                         | 1,214         |
| Other payables               | 8,448                         | 1,918         |
| Operating lease payable      | 312                           | 48            |
|                              | <u>37,275</u>                 | <u>20,288</u> |

### 15. Current provisions

|                   | <u>2014</u>                   | <u>2013</u>  |
|-------------------|-------------------------------|--------------|
|                   | <i>(U.S. \$ in thousands)</i> |              |
| Employee benefits | <u>2,622</u>                  | <u>2,831</u> |

Current provisions for employee benefits include accrued annual leave and long service leave. Long service leave covers all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro rata payments.

### 16. Other current liabilities

|                                             | <u>2014</u>                   | <u>2013</u>  |
|---------------------------------------------|-------------------------------|--------------|
|                                             | <i>(U.S. \$ in thousands)</i> |              |
| Current portion of contingent consideration | 248                           | 3,003        |
| Deferred acquisition-related consideration  | 846                           | -            |
|                                             | <u>1,094</u>                  | <u>3,003</u> |

## Atlassian Corporation Plc

### 17. Non-current provisions

|                        | <u>2014</u>                   | <u>2013</u>  |
|------------------------|-------------------------------|--------------|
|                        | <i>(U.S. \$ in thousands)</i> |              |
| Employee benefits      | 549                           | 292          |
| Dilapidation provision | 1,207                         | 947          |
|                        | <u>1,756</u>                  | <u>1,239</u> |

The non-current provision for employee benefits includes long service leave, which covers all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro rata payments.

The dilapidation provision disclosed below relates to the Group's leased premises in Sydney, New South Wales, Austin, Texas and San Francisco, California. These relate to obligations from the facility lease arrangements, which require the Group to restore each premise to its original condition upon lease termination.

The following table summarises the changes to the dilapidation provision during financial year 2014 and 2013:

|                                                                            | <u>2014</u>                   | <u>2013</u> |
|----------------------------------------------------------------------------|-------------------------------|-------------|
|                                                                            | <i>(U.S. \$ in thousands)</i> |             |
| As at 1 July                                                               | 947                           | 209         |
| Charged (credited) to the consolidated statements of comprehensive income: |                               |             |
| Additional provisions recognised                                           | 208                           | 962         |
| Unwinding of discount                                                      | 24                            | 18          |
| Effect of change in exchange rates                                         | 28                            | (78)        |
| Amounts used during the year                                               | —                             | (164)       |
| As at 30 June                                                              | <u>1,207</u>                  | <u>947</u>  |

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### 18. Other non-current liabilities

|                               | <u>2014</u>                   | <u>2013</u>  |
|-------------------------------|-------------------------------|--------------|
|                               | <i>(U.S. \$ in thousands)</i> |              |
| Contingent consideration      | —                             | 171          |
| Retention bonus               | 10                            | 2,459        |
| Deferred rent                 | 1,535                         | 1,252        |
| Other non-current liabilities | 22                            | 488          |
|                               | <u>1,567</u>                  | <u>4,370</u> |

### 19. Shareholders' equity

#### Share capital

|                            | <u>2014</u>               | <u>2013</u>        | <u>2014</u>                   | <u>2013</u>   |
|----------------------------|---------------------------|--------------------|-------------------------------|---------------|
|                            | <i>(Number of Shares)</i> |                    | <i>(U.S. \$ in thousands)</i> |               |
| <b>Details</b>             |                           |                    |                               |               |
| Class A ordinary shares    | 3,251,160                 | —                  | 325                           | —             |
| Class B ordinary shares    | 140,756,842               | 140,748,000        | 14,076                        | 14,075        |
| Series A preference shares | 12,387,798                | 12,387,798         | 1,239                         | 1,239         |
| Series B preference shares | 15,046,180                | 17,258,680         | 1,504                         | 1,726         |
| Restricted shares          | 10,460,992                | 4,874,063          | 1,046                         | 487           |
|                            | <u>181,902,970</u>        | <u>175,268,541</u> | <u>18,190</u>                 | <u>17,527</u> |

#### Movements in Class A ordinary share capital

|                                   | <u>Number of<br/>Shares</u> | <u>Amount</u>                     |
|-----------------------------------|-----------------------------|-----------------------------------|
|                                   |                             | <i>(U.S. \$<br/>in thousands)</i> |
| <b>Details</b>                    |                             |                                   |
| Balance as at 1 July 2012         | —                           | —                                 |
| <b>Balance as at 30 June 2013</b> | <u>—</u>                    | <u>—</u>                          |
| Conversion of Series B Preference | 2,212,500                   | 221                               |
| Conversion from Class B ordinary  | 1,038,660                   | 104                               |
| <b>Balance as at 30 June 2014</b> | <u>3,251,160</u>            | <u>325</u>                        |

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### Movements in Class B ordinary share capital

|                                                                     | Number of<br>Shares | Amount<br>(U.S. \$<br>in thousands) |
|---------------------------------------------------------------------|---------------------|-------------------------------------|
| <b>Details</b>                                                      |                     |                                     |
| Balance as at 1 July 2012                                           | 140,748,000         | 14,075                              |
| <b>Balance as at 30 June 2013</b>                                   | <b>140,748,000</b>  | <b>14,075</b>                       |
| Conversion into Class A ordinary                                    | (1,038,660)         | (104)                               |
| Issuance of shares as required for the incorporation of the Company | 2                   | —                                   |
| Exercise of share options                                           | 1,047,500           | 105                                 |
| <b>Balance as at 30 June 2014</b>                                   | <b>140,756,842</b>  | <b>14,076</b>                       |

### Movements in Series A preference share capital

|                                   | Number of<br>Shares | Amount<br>(U.S. \$<br>in thousands) |
|-----------------------------------|---------------------|-------------------------------------|
| <b>Details</b>                    |                     |                                     |
| Balance as at 1 July 2012         | 11,993,320          | 1,199                               |
| Issuance of shares                | 394,478             | 40                                  |
| <b>Balance as at 30 June 2013</b> | <b>12,387,798</b>   | <b>1,239</b>                        |
| <b>Balance as at 30 June 2014</b> | <b>12,387,798</b>   | <b>1,239</b>                        |

### Movements in Series B preference share capital

|                                   | Number of<br>Shares | Amount<br>(U.S. \$<br>in thousands) |
|-----------------------------------|---------------------|-------------------------------------|
| <b>Details</b>                    |                     |                                     |
| Balance as at 1 July 2012         | 17,258,680          | 1,726                               |
| <b>Balance as at 30 June 2013</b> | <b>17,258,680</b>   | <b>1,726</b>                        |
| Conversion into Class A ordinary  | (2,212,500)         | (222)                               |
| <b>Balance as at 30 June 2014</b> | <b>15,046,180</b>   | <b>1,504</b>                        |

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### Movements in restricted share capital

|                                                    | <u>Number of<br/>Shares</u> | <u>Amount</u><br><i>(U.S. \$<br/>in thousands)</i> |
|----------------------------------------------------|-----------------------------|----------------------------------------------------|
| <b>Details</b>                                     |                             |                                                    |
| Balance as at 1 July 2012                          | 975,433                     | 97                                                 |
| Exercise of share options                          | 2,140,172                   | 214                                                |
| Vesting of share options that were early exercised | 1,758,458                   | 176                                                |
| <b>Balance as at 30 June 2013</b>                  | <b>4,874,063</b>            | <b>487</b>                                         |
| Exercise of share options                          | 4,711,647                   | 471                                                |
| Vesting of share options that were early exercised | 875,282                     | 88                                                 |
| <b>Balance as at 30 June 2014</b>                  | <b>10,460,992</b>           | <b>1,046</b>                                       |

### Ordinary shares

#### *Nominal value*

Ordinary shares have a nominal value of \$0.10.

#### *Conversion*

If the aggregate number of Class B ordinary shares and Series B preference shares comprises less than 10% of the total shares of the Company then in issue, each Class B ordinary share will automatically convert into one Class A ordinary share.

Upon consent of at least 66.66% of the Class B ordinary shares and Series B preference shares voting together, each Class B ordinary share will convert into one Class A ordinary share. Upon consent of at least 66.66% of the Class B ordinary shares, each Class B ordinary share will convert into one Class A ordinary share. A Class B ordinary shareholder may elect at any time to convert any of its Class B ordinary shares into Class A ordinary shares on a one for one basis. Upon a non-permitted transfer, each Class B ordinary share transferred converts into one Class A ordinary share.

#### *Dividend rights*

Any dividend declared by the company shall be paid on the Class A ordinary shares, the Class B ordinary shares and the preference shares *pari passu* as if they were all shares of the same class.

#### *Voting rights*

Each Class A ordinary share is entitled to one vote. Each Class B ordinary share is entitled to 10 votes.

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### **Preference shares**

#### *Nominal value*

Series A and B preference shares have a nominal value of \$0.10.

#### *Conversion*

As at 30 June 2014, the conversion price per Series A and Series B preference share was approximately \$2.23 (the “Conversion Price”), and the rate at which each share would convert into Class A ordinary shares or Class B ordinary shares, as applicable, was one for one. The Conversion Price of each preference share will be adjusted for specified dilutive issuances, combinations, non-cash dividends, and recapitalisations.

Each Series A preference share will automatically convert into Class A ordinary shares at the Conversion Price then in effect upon a Qualified Listing. Each Series B preference share will automatically convert into Class B ordinary shares at the Conversion Price then in effect upon a Qualified Listing, or if there are no Class B ordinary shares in issue at the time, then each Series B preference share will convert into one Class A ordinary share. A Qualified Listing is defined as the listing of the Company’s shares on a stock exchange in which (i) the initial offering price is equal to at least two times the Conversion Price and (ii) the market capitalisation of the Company immediately following the offering is at least \$500 million. If the aggregate number of Series B preference shares and Class B ordinary shares then in issue comprises less than 10% of the total shares of the Company then in issue, each Series B preference share will automatically convert into one Class B ordinary share, or if there are no Class B ordinary shares in issue at the time, then each Series B preference share will convert into one Class A ordinary share.

Upon consent of at least 66.66% of the Series B preference shares, each Series B preference share will convert into one Class B ordinary share, or if there are no Class B ordinary shares in issue at the time, then each Series B preference share will convert into one Class A ordinary share. A Series B preference shareholder may elect at any time to convert any of its Series B preference shares into Class B ordinary shares on a one for one basis, or if there are no Class B ordinary shares in issue at the time, then each Series B preference share will convert into one Class A ordinary share. The holders of a majority of the Series B preference shares may elect at any time to convert any of its Series B preference shares into Series A preference shares on a one for one basis. Upon a non-permitted transfer, each Series B preference share transferred converts into one Class A ordinary share.

#### *Dividend rights*

Any dividend declared by the company shall be paid on the Class A ordinary shares, the Class B ordinary shares and the preference shares *pari passu* as if they were all shares of the same class.

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### *Voting rights*

Series A preference shares are non-voting. Each Series B preference share is entitled to vote on an as-converted basis, and the number of votes will vary depending, among other things, on the Conversion Price.

### *Liquidation rights*

If there is a liquidation, dissolution or winding up of the Company, the holders of preference shares will be entitled to receive unpaid dividends prior and in preference to any distribution of assets to the holders of ordinary or restricted shares. Upon payment of unpaid dividends, and prior and in preference to any distribution of assets to the holders of ordinary or restricted shares, holders of preference shares will be entitled to receive the greater of: (i) the amount paid or credited as paid on the preference shares held by such holder; and (ii) the amount to which such holder would be entitled to receive upon such liquidation, dissolution or winding up if all of such holder's preference shares were converted into ordinary shares immediately prior to such event. Upon the completion of the payment of the liquidation preference to holders of preference shares, the ordinary and restricted shares will be entitled to receive the aggregate amount paid or credited on the ordinary shares and/or restricted shares held by such holder. Thereafter, all remaining assets will be distributed amongst all holders of restricted shares and ordinary shares in proportion to the number of shares held regardless of the amount paid or credited as paid on any share.

A liquidation, dissolution or winding up of the Company includes the merger or consolidation of the Company with or into another entity such that the holders immediately prior to such sale or issuance no longer possess the voting power to elect a majority of the Company's Board of Directors (other than through a reorganisation, restructure or reconstruction of the Group), the sale or transfer by the Company of all or substantially all of its assets, or the sale, transfer or issuance of shares by the Company or its holders such that the holders immediately prior to such sale, transfer or issuance no longer possess the voting power to elect a majority of the Company's Board of Directors.

### **Restricted shares**

#### *Nominal value*

Restricted shares have a nominal value of \$0.10 per share.

#### *Conversion*

Restricted shares will automatically convert into Class A ordinary shares on a one for one basis on the earlier of: (i) a transfer of 70% or more of the outstanding shares in the Company, or (ii) a Qualified Listing, as defined above.

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### *Dividend rights*

Restricted shares are not eligible for dividends.

### *Voting rights*

Holders of restricted shares do not have voting rights.

### *Shares issued on incorporation*

On incorporation, the Company issued 30,332 redeemable shares of £2 per share and two Class B ordinary shares of £2 per share to meet minimum capital requirements. The redeemable shares were subsequently redeemed in cash on 12 February 2014, and the nominal value of the shares was transferred to capital redemption reserve.

## 20. Reserves

Reserves comprise the following:

|                                      | <b>2014</b>                   | <b>2013</b>   |
|--------------------------------------|-------------------------------|---------------|
|                                      | <i>(U.S. \$ in thousands)</i> |               |
| <b>Reserves</b>                      |                               |               |
| Share premium                        | 2,677                         | —             |
| Capital redemption reserve           | 98                            | —             |
| Merger reserve                       | 34,943                        | 32,943        |
| Share-based payment reserve          | 57,259                        | 12,455        |
| Foreign currency translation reserve | 4,035                         | 4,010         |
|                                      | <b>99,012</b>                 | <b>49,408</b> |
| <b>Share premium</b>                 |                               |               |
| Balance as at 1 July                 | —                             | —             |
| Share options exercise               | 2,677                         | —             |
| <b>Balance as at 30 June</b>         | <b>2,677</b>                  | <b>—</b>      |
| <b>Capital redemption reserve</b>    |                               |               |
| Balance as at 1 July                 | —                             | —             |
| Redemption of redeemable shares      | 98                            | —             |
| <b>Balance as at 30 June</b>         | <b>98</b>                     | <b>—</b>      |
| <b>Merger reserve</b>                |                               |               |
| Balance as at 1 July                 | 32,943                        | 28,444        |
| Share options exercise               | 1,056                         | 1,193         |
| Early exercise vesting               | 944                           | 1,346         |
| Share issuance                       | —                             | 1,960         |
| <b>Balance as at 30 June</b>         | <b>34,943</b>                 | <b>32,943</b> |

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### Share-based payments

|                              |                      |                      |
|------------------------------|----------------------|----------------------|
| Balance as at 1 July         | 12,455               | 3,645                |
| Issue of share options       | 910                  | 1,164                |
| Share-based payments         | 11,364               | 3,491                |
| Tax benefit from share plans | 32,530               | 4,155                |
| <b>Balance as at 30 June</b> | <b><u>57,259</u></b> | <b><u>12,455</u></b> |

### Foreign currency translation

|                                                                        |                     |                     |
|------------------------------------------------------------------------|---------------------|---------------------|
| Balance as at 1 July                                                   | 4,010               | 4,021               |
| Effect of change in exchange rates – other comprehensive income (loss) | 25                  | (11)                |
| <b>Balance as at 30 June</b>                                           | <b><u>4,035</u></b> | <b><u>4,010</u></b> |

### Share premium

Share premium consists of additional consideration for shares above the nominal value of shares in issue.

### Capital redemption reserve

Capital redemption reserve is a non-distributable reserve arising on redemption of redeemable shares.

### Merger reserve

In conjunction with the Group's capital reorganisation, the Group elected to take the merger relief exemptions within the Companies Act 2006. The consolidated financial statements are therefore presented as if Atlassian Corporation Plc had been the parent company of the Group throughout the periods presented. Merger accounting principles for these combinations gave rise to a merger reserve in the consolidated statement of financial position, being the difference between the nominal value of shares issued by the Company for the acquisition of the shares of the subsidiary and the subsidiary's own share capital and share premium account.

### Share-based payments

An issue of share options represents proceeds from the purchase of restricted share options by the Group's Australian employees. Share-based payments represent the current period's expense related to the fair value of share options issued to employees. Tax benefits from share plans represent the deferred tax benefit of share-based payments in excess of the expense already recognised over the life of the share-based award. The total deferred tax benefit is determined using the intrinsic value of the share-based award as at the reporting date.

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### Foreign currency translation

Exchange differences arising on translation of foreign subsidiaries are recognised in other comprehensive income (loss) as described in note 2 under the heading, foreign currency translation, and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the consolidated statements of comprehensive income when the net investment is disposed.

### 21. Dividends

During the financial year ended 30 June 2014, the Company declared and paid a dividend of \$0.06 per each fully paid ordinary and preference share outstanding on 20 November 2013, which totalled \$10 million. During the financial year ended 30 June 2013, the Company declared and paid a dividend of \$0.02 per each fully paid ordinary and preference share outstanding in August 2012, which totalled \$2.2 million.

### 22. Contingencies

The Group held contingent consideration of \$0.2 million as at 30 June 2014, primarily attributable to the earn-outs related to the acquisition of HipChat, Inc. The balance was \$3.2 million as at 30 June 2013.

### 23. Commitments

#### Operating lease commitments – group as lessee

The Group leases various offices in locations such as Amsterdam, San Francisco, Austin, Sydney, Manila, and Yokohama under non-cancellable operating leases expiring within one to six years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The Group incurred rent expenses of \$4.1 million during the 2014 financial year and \$4.1 million during the 2013 financial year for its operating leases.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

|                                                   | <b>2014</b>                   | <b>2013</b>   |
|---------------------------------------------------|-------------------------------|---------------|
|                                                   | <i>(U.S. \$ in thousands)</i> |               |
| Within one year                                   | 5,141                         | 5,658         |
| Later than one year but not later than five years | 14,868                        | 17,776        |
| Later than five years                             | 420                           | 350           |
|                                                   | <b>20,429</b>                 | <b>23,784</b> |

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### Operating lease commitments – group as lessor

The Group entered into a sublease on its leased property in Sydney, New South Wales. This sublease has a remaining term of approximately three years and a 4% annual escalation clause. The Group earned gross rental income of \$0.3 million and \$0.9 million related to subleases during financial year 2014, and during financial year 2013, respectively. Commitments for minimum lease income in relation to non-cancellable operating leases are as follows:

|                                                   | <u>2014</u>                   | <u>2013</u>  |
|---------------------------------------------------|-------------------------------|--------------|
|                                                   | <i>(U.S. \$ in thousands)</i> |              |
| Within one year                                   | 87                            | 487          |
| Later than one year but not later than five years | 185                           | 515          |
|                                                   | <u>272</u>                    | <u>1,002</u> |

### 24. Related-party transactions

#### a) Subsidiaries

Interests in subsidiaries are disclosed in note 5.

#### b) Key management personnel compensation

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel.

Compensation for the Company's key management personnel is as follows:

|                                      | <u>2014</u>                   | <u>2013</u>  |
|--------------------------------------|-------------------------------|--------------|
|                                      | <i>(U.S. \$ in thousands)</i> |              |
| Short-term compensation and benefits | 2,367                         | 1,686        |
| Post-employment benefits             | 82                            | 86           |
| Share-based payments                 | 2,575                         | 867          |
|                                      | <u>5,024</u>                  | <u>2,639</u> |

#### c) Early exercises of share options by Directors

During financial year 2014, three board members and one executive early exercised share options (2013: two executives). As at 30 June 2014, outstanding restricted shares included 1,097,434 shares subject to repurchase as they were early exercised and unvested (2013: 872,259 shares). The amount has been recorded on the consolidated statement of financial position as a liability at 30 June 2014.

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### d) Loans to Directors and key management personnel

The Company did not enter into any loan agreements with Directors of the Company or other key management personnel of the Group.

There were no other transactions with key management personnel during financial years 2014 or 2013.

### 25. Share-based payments

Share-based compensation expense for share-based payment awards was recorded in the consolidated statements of comprehensive income as follows:

|                                          | <b>2014</b>                   | <b>2013</b>  |
|------------------------------------------|-------------------------------|--------------|
|                                          | <i>(U.S. \$ in thousands)</i> |              |
| Cost of sales                            | 625                           | 251          |
| Research and development                 | 5,120                         | 1,189        |
| Sales and marketing                      | 2,068                         | 583          |
| General and administration               | 3,551                         | 1,468        |
| <b>Total share-based payment expense</b> | <b>11,364</b>                 | <b>3,491</b> |

### Restricted share units

In fiscal 2014, the Group's Compensation Committee approved the 2014 Restricted Share Unit Plan ("RSU Plan,") which allowed for the issuance of RSUs.

In accordance with the RSU Plan, RSU grants in fiscal 2014 vest 25% at a one year cliff and 1/16<sup>th</sup> on a quarterly basis thereafter.

To date, the Group's equity awards have been subject only to a time-based service condition. However, the Group's RSUs require the satisfaction of a time-based service condition as well as a liquidity condition, defined as a sale or listing of the Company. The liquidity condition shall be satisfied on the first to occur of (i) a sale event or (ii) a qualified listing. RSU Plan participants must only continue to provide services to a Group entity over the time-based service condition to be entitled to receive the RSUs. The RSUs will not be issued until the future liquidity condition is met. As the liquidity condition's assessment period extends beyond the end of the required service period, the RSUs include a non-vesting condition.

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The Group had 3,000,000 RSUs authorised for issuance under the RSU Plan as at 30 June 2014. RSU activity was as follows:

|                                   | <b>Shares<br/>Available<br/>for Grant</b> | <b>Restricted<br/>Share Units<br/>Outstanding</b> |
|-----------------------------------|-------------------------------------------|---------------------------------------------------|
| Balance as at 30 June 2013        | —                                         | —                                                 |
| Increase in authorised shares     | 3,000,000                                 | —                                                 |
| Granted                           | (1,116,884)                               | 1,116,884                                         |
| Cancelled                         | 13,492                                    | (13,492)                                          |
| <b>Balance as at 30 June 2014</b> | <b>1,896,608</b>                          | <b>1,103,392</b>                                  |

### Restricted share options

In November 2010, the Board of Directors approved the Atlassian Corporation Pty. Ltd. 2010 U.S. Share Option Plan and the Australian Employee Share Option Plan (collectively, the “Old Plans”), which allowed for the issuance of options to purchase restricted stock. In December 2013, the Board of Directors approved the Atlassian Corporation Plc 2013 U.S. Share Option Plan and the Atlassian Corporation Plc Atlassian UK Employee Share Option Plan (collectively, the “New Plans”), which also allowed for the issuance of options to purchase restricted stock. As part of the reorganisation, the New Plans replaced the Old Plans, and the Group is no longer issuing options out of the Old Plans.

Options issued under these plans have a contractual life of seven to ten years and typically follow a standard vesting schedule over a 4 year period: 25% cliff vest after one year and 1/48<sup>th</sup> monthly vesting for the 36 months thereafter. Options granted to the Directors and certain options granted to management vest 1/48<sup>th</sup> monthly for 48 months with no initial cliff vest. Individuals must continue to provide services to a Group entity in order to vest. Upon termination, all unvested options are forfeited and vested options must generally be exercised within three months.

Options to purchase 33,305,522 and 28,419,149 restricted shares have been authorised for issuance under these plans as at 30 June 2014 and 2013, respectively.

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Share option activity was as follows:

|                                   | Shares<br>Available<br>for Grant | Outstanding<br>Share<br>Options | Weighted<br>Average<br>Exercise<br>Price |
|-----------------------------------|----------------------------------|---------------------------------|------------------------------------------|
| <b>Balance as at 30 June 2012</b> | <b>3,452,769</b>                 | <b>17,913,297</b>               | <b>\$ 0.72</b>                           |
| Increase in authorised shares     | 4,030,000                        | –                               | –                                        |
| Granted                           | (8,780,700)                      | 8,780,700                       | 2.16                                     |
| Exercised                         | –                                | (2,723,239)                     | 0.62                                     |
| Cancelled                         | 2,115,091                        | (2,115,091)                     | 1.36                                     |
| <b>Balance as at 30 June 2013</b> | <b>817,160</b>                   | <b>21,855,667</b>               | <b>1.20</b>                              |
| Increase in authorised shares     | 4,886,373                        | –                               | –                                        |
| Granted                           | (6,329,300)                      | 6,329,300                       | 3.14                                     |
| Exercised                         | –                                | (5,812,104)                     | 1.02                                     |
| Cancelled                         | 1,624,049                        | (1,624,049)                     | 2.01                                     |
| <b>Balance as at 30 June 2014</b> | <b>998,282</b>                   | <b>20,748,814</b>               | <b>\$ 1.78</b>                           |
| Exercisable as at 30 June 2013    |                                  | 7,688,797                       | \$ 0.62                                  |
| Exercisable as at 30 June 2014    |                                  | 8,960,904                       | \$ 1.00                                  |

The weighted average remaining contractual life for options outstanding as at 30 June 2014 and 2013, was 5.4 years and 5.2 years, respectively.

Options exercisable as at 30 June 2014 and 2013, had a weighted average remaining contractual life of approximately 3.9 years and 4.3 years, respectively.

The table below shows the range of exercise prices for the options outstanding as at 30 June 2014:

| Range of<br>Exercise Prices | Options Outstanding   |                                          | Options Exercisable   |                                          |                                           |
|-----------------------------|-----------------------|------------------------------------------|-----------------------|------------------------------------------|-------------------------------------------|
|                             | Number<br>Outstanding | Weighted<br>Average<br>Exercise<br>Price | Number<br>Exercisable | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Years |
| \$0.51 - \$0.76             | 8,116,161             | \$ 0.59                                  | 6,311,600             | \$ 0.56                                  | 3.3                                       |
| \$1.43 - \$1.59             | 1,528,460             | 1.54                                     | 751,693               | 1.53                                     | 4.8                                       |
| \$1.92 - \$2.16             | 2,703,287             | 2.06                                     | 957,692               | 2.06                                     | 5.4                                       |
| \$2.40 - \$2.63             | 2,963,637             | 2.42                                     | 834,305               | 2.42                                     | 5.8                                       |
| \$2.92 - \$3.18             | 5,437,269             | 3.15                                     | 105,614               | 3.05                                     | 6.2                                       |
|                             | <b>20,748,814</b>     | <b>\$ 1.78</b>                           | <b>8,960,904</b>      | <b>\$ 1.00</b>                           | <b>3.9</b>                                |

## Atlassian Corporation Plc

### Class B ordinary share options

In fiscal 2007 and 2009 the Group issued certain key employees options to purchase Class B ordinary shares.

Share option activity was as follows:

|                                   | Shares<br>Available<br>for Grant | Outstanding<br>Share<br>Options | Weighted<br>Average<br>Exercise<br>Price |
|-----------------------------------|----------------------------------|---------------------------------|------------------------------------------|
| Balance as at 30 June 2012        | –                                | 2,600,000                       | \$ 0.65                                  |
| <b>Balance as at 30 June 2013</b> | –                                | <b>2,600,000</b>                | <b>\$ 0.65</b>                           |
| Exercised                         | –                                | (1,047,500)                     | 0.64                                     |
| <b>Balance as at 30 June 2014</b> | –                                | <b>1,552,500</b>                | <b>\$ 0.68</b>                           |

Options exercisable as at 30 June 2014 and 2013, had a weighted average remaining contractual life of approximately 3.8 years and 4.8 years, respectively. The table below shows the range of exercise prices for the Class B options outstanding as at 30 June 2014:

| Options outstanding            |                       |                                       | Options exercisable   |                                       |                                           |
|--------------------------------|-----------------------|---------------------------------------|-----------------------|---------------------------------------|-------------------------------------------|
| Range of<br>exercise<br>prices | Number<br>outstanding | Weighted<br>average<br>exercise price | Number<br>exercisable | Weighted<br>average exercise<br>price | Weighted<br>average<br>remaining<br>years |
| \$ 0.30                        | 302,500               | \$ 0.30                               | 302,500               | \$ 0.30                               | 3.4                                       |
| 0.78                           | 1,250,000             | 0.78                                  | 1,250,000             | 0.78                                  | 3.9                                       |
|                                | <b>1,552,500</b>      | <b>0.68</b>                           | <b>1,552,500</b>      | <b>\$ 0.68</b>                        | <b>3.8</b>                                |

Options to purchase 1,552,500 Class B ordinary shares remain outstanding as at 30 June 2014.

### Share-based compensation

All share-based payments are measured based on the grant-date fair value of the awards and recognised in the consolidated statements of comprehensive income over the period during which the employee is required to perform services in exchange for the award (generally the four-year vesting period of the award).

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### *Valuation of RSUs*

As discussed above, the Group's RSUs contain a non-vesting condition. Per IFRS 2, the fair value of the award at grant date must be reduced to reflect the impact of the non-vesting condition. The Group enlisted the assistance of a third-party valuation firm in order to perform the valuation using assumptions provided by management.

The fair value per RSU for the periods presented was \$11.70 per share.

### *Valuation of stock options*

The fair value of share-based payments is estimated using the Black-Scholes option-valuation model. The following assumptions were used as inputs for the option-valuation model:

### *Fair value of underlying shares*

Given the absence of a publicly traded market, the Board of Directors considered numerous objective and subjective factors to determine the fair value of its restricted shares. The factors included, but were not limited to: (i) contemporaneous third-party valuations, including third-party offers to purchase shares; (ii) the prices, rights, preferences and privileges of the Group's preference share relative to those of the Group's restricted shares; (iii) the lack of marketability of the Group's restricted shares; (iv) the Group's actual operating and financial results; (v) current business conditions and projections; and (vi) the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Group, given prevailing market conditions. For share options issued in between valuation dates, the grant-date fair value of the underlying shares was determined by interpolating the fair value between the valuation dates.

### *Exercise price*

The exercise price is established on the grant date and is determined by the Board of Directors.

### *Risk-free interest rate*

The risk-free interest rate represents the implied yield currently available on zero-coupon government issued securities in the country in whose currency the exercise price was expressed over the expected term of the option.

### *Expected term*

The expected term represents the period that share-based awards are expected to be outstanding. The expected term assumptions were determined based on the vesting terms and contractual lives of the options as well as expectations around employee vesting behaviour.

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### *Volatility*

There is no active external or internal market for the restricted shares of the Group. As a substitute, a peer group of companies was used to calculate volatility.

### *Dividend yield*

The Group's restricted shares are not entitled to dividends. As such, no dividends are factored into the valuation of the underlying shares.

The assumptions used for the periods presented were as follows:

|                                 | <u>2014</u>   | <u>2013</u>    |
|---------------------------------|---------------|----------------|
| Fair value of underlying shares | \$2.92–\$9.78 | \$1.99–\$2.92  |
| Exercise price                  | \$2.92–\$3.18 | \$1.59–\$2.63  |
| Expected volatility             | 39%–43%       | 39%–49%        |
| Expected term (in years)        | 4.0–5.0       | 4.0–4.6        |
| Risk-free interest rate         | 1.0%–1.3%     | 0.5%–1.2%      |
| Dividend yield                  | –%            | –%             |
| Fair value per share option     | \$1.05–\$6.96 | \$0.75–\$ 1.18 |

### **Shares subject to repurchase**

As determined by the Board of Directors, the Group allows certain individuals to early exercise share options. The Group retains the right to repurchase, at the original exercise price, any unvested (but issued) restricted shares during the repurchase period following employee termination. The consideration received for the early exercise of share options is recorded as a liability and reclassified into equity as the awards vest.

Outstanding restricted shares as at 30 June 2014 included 1,097,434 shares subject to repurchase as they were early exercised and unvested. Early exercised options had a weighted-average exercise price of \$1.87 per share with a corresponding grant-date fair value of \$2 million. Amounts reclassified into contributed equity during financial year 2014, as a result of the vesting of the early exercised shares were \$1 million.

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### 26. Remuneration of auditors

The following fees were received or due and receivable by Ernst & Young for services provided by the auditor for the Group (in U.S. dollars):

|                                                                                                   | <u>2014</u>    | <u>2013</u>    |
|---------------------------------------------------------------------------------------------------|----------------|----------------|
| Audit of the financial statements (of which \$10,000 (2013: \$Nil) relates to the parent company) | 397,563        | 289,265        |
| Audit of subsidiaries                                                                             | 27,273         | —              |
| Total audit                                                                                       | <u>424,836</u> | <u>289,265</u> |
| Tax compliance                                                                                    | 51,678         | 65,173         |
| Tax advisory                                                                                      | 243,574        | 363,191        |
| Other non-audit services                                                                          | 97,710         | 72,940         |
| Total non-audit services                                                                          | <u>392,962</u> | <u>501,304</u> |

### 27. Directors' remuneration

The Company does not provide cash compensation to its Directors in respect to services provided to the Company. In fiscal 2014, there were two Directors who received shares in respect of qualifying services and three Directors who exercised share options. In fiscal 2013, there were no Directors who received shares in respect of qualifying services and no Directors who exercised share options.

### 28. Events after the reporting period

Subsequent to the end of the financial year, the Group completed two asset purchase transactions totalling approximately \$5.3 million in the aggregate. On 8 September 2014, the Group entered into a lease amendment to increase the office space in Austin, Texas from approximately 24,000 square feet to approximately 73,000 square feet. The term of the lease for the space is six years, and the Group is scheduled to take occupancy of the first portion of the leased premises on or about (but no earlier than) 1 February 2015. Future minimum lease payments under the lease will range from \$160,000 per month to \$191,000 per month.

Other than those mentioned above, there have been no significant events occurring after 30 June 2014 that may affect either the Group's operations or results of those operations or the Group's state of affairs.

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### **Statement of Directors' Responsibilities in Relation to the Company Financial Statements**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Atlassian Corporation Plc

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATlassian CORPORATION PLC

We have audited the parent company financial statements of Atlassian Corporation Plc for the period ended 30 June 2014 which comprise Company Balance Sheet and the related notes 1 to 6. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### *Respective responsibilities of directors and auditors*

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### *Opinion on financial statements*

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2014;

## Atlassian Corporation Plc

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Other matter**

We have reported separately on the group financial statements of Atlassian Corporation Plc for the year ended.

  
David Hales  
(Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Reading  
20 October 2014

### **Note:**

1. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Atlassian Corporation Plc

## Company Statement of Financial Position

|                                              | Notes | <b>30 June 2014</b><br><i>(U.S. \$<br/>in thousands)</i> |
|----------------------------------------------|-------|----------------------------------------------------------|
| Fixed assets:                                |       |                                                          |
| Investment in subsidiary                     | 3     | <u>25,018</u>                                            |
| Current assets:                              |       |                                                          |
| Debtors: amounts falling due within one year |       |                                                          |
| Amount owed by group undertakings            |       | <u>9,090</u>                                             |
| Total current assets                         |       | <u>9,090</u>                                             |
| Current liabilities:                         |       |                                                          |
| Share option early exercise liability        |       | 2,055                                                    |
| Accrued expenses                             |       | <u>456</u>                                               |
| Total liabilities                            |       | <u>2,511</u>                                             |
| Net current assets                           |       | <u>6,579</u>                                             |
| <b>Net assets</b>                            |       | <b><u>31,597</u></b>                                     |
| <b>Capital and reserves</b>                  |       |                                                          |
| Share capital                                | 4     | 18,190                                                   |
| Share premium                                | 4     | 2,677                                                    |
| Capital redemption reserve                   | 4     | 98                                                       |
| Merger reserve                               | 4     | 425                                                      |
| Share-based payments reserve                 | 4     | 7,259                                                    |
| Retained earnings                            | 4     | <u>2,948</u>                                             |
|                                              |       | <b><u>31,597</u></b>                                     |

On behalf of the Board of Directors



Scott Farquhar

Company Director

20 October 2014

## Atlassian Corporation Plc

### Notes to Company Statement of Financial Position

#### **1. Basis of preparation**

On 14 November 2013 the Company was incorporated and on 12 February 2014 became the parent company of the Group following a group reorganisation. Shareholders of Atlassian Corporation Plc immediately subsequent to the reorganisation held the same economic interest in Atlassian Corporation Plc as they had in Atlassian Corporation Pty. Ltd. immediately prior to the reorganisation. The Company has recorded the cost of investment in the Atlassian group at the net asset value of the previous parent company and has elected to take the merger relief exemption under sections 612 and 615 of the Companies Act 2006. The Company has recorded the premium over the nominal value of the shares issued as a merger reserve.

The presented balance sheet has been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company profit and loss account. The income for the parent company for the year was \$3.0 million.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

#### *Investments*

Investments are held at cost less provision for impairment where a permanent diminution in value has been identified.

#### *Foreign currency translation*

The Company presents the financial statements in U.S. dollars, which is the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are measured in terms of historical costs using the exchange rate at the date of the initial transactions.

#### *Share-based payments*

Employees of the Company receive remuneration for services rendered in the form of share-based payments (equity instruments), which are considered equity-settled transactions. The

## Atlassian Corporation Plc

expense for share-based payments is recognised in accordance with the accounting policy for the consolidated financial statements of the Group and is recognised in the subsidiary companies employing the relevant employees. The Company also records a corresponding increase in its investments in subsidiaries with a credit to equity which is equivalent to the cost in the subsidiary undertakings.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income expense or credit for a period reflects the movement in cumulative expense recognised at the beginning and end of that period and is recognised in employee benefits expense. No expense is recognised for shares that do not ultimately vest.

The estimation of share awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from current estimates, such amounts will be recorded as a cumulative adjustment in the period the estimates are revised. Actual results, and future changes in estimates, may differ substantially from current estimates.

When the terms of an equity-settled transaction are modified, the minimum expense is recognised as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had forfeited on the date of cancellation, and any expense previously recognised for unvested shares is immediately reversed. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

### *Taxation*

Income tax expense recognised in the consolidated statements of comprehensive income comprises the sum of deferred tax and current tax not recognised in other comprehensive income (loss) or directly in equity.

The calculation of current and deferred tax is based on tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period

## Atlassian Corporation Plc

### Dividends

Provision is made for any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### 2. Employee and Director information

Employee costs are borne by Atlassian (Australia) Ltd. For details of Directors' remuneration, refer to disclosure in the Directors' remuneration footnote in the consolidated financial statements.

### 3. Investment in subsidiary

| Carrying value                                               | <b>2014</b>                 |
|--------------------------------------------------------------|-----------------------------|
|                                                              | <i>U.S. \$ in thousands</i> |
| At incorporation                                             | –                           |
| Acquisition of subsidiary pursuant to a group reorganisation | 17,759                      |
| Additions – share based payment                              | 7,259                       |
| At 30 June 2014                                              | <b>25,018</b>               |

A full list of Group companies is included in the Group financial statements, note 5.

### 4. Equity and reserves

| <i>(U.S. \$ in thousands)</i>                         | Share capital | Share premium | Capital redemption reserve | Merger reserve | Share-based payments reserve | Retained Earnings | Total Equity |
|-------------------------------------------------------|---------------|---------------|----------------------------|----------------|------------------------------|-------------------|--------------|
| Balance on incorporation at 14 November 2013          | –             | –             | –                          | –              | –                            | –                 | –            |
| Comprehensive income for the year:                    |               |               |                            |                |                              |                   |              |
| Profit for the year                                   | –             | –             | –                          | –              | –                            | 3,046             | 3,046        |
| Total comprehensive income for the year               | –             | –             | –                          | –              | –                            | 3,046             | 3,046        |
| Transactions with owners in their capacity as owners: |               |               |                            |                |                              |                   |              |
| Exercise of share options, net of early exercise      | 398           | 2,677         | –                          | –              | –                            | –                 | 3,075        |
| Vesting of early exercised shares                     | 33            | –             | –                          | 425            | –                            | –                 | 458          |
| Issuance of shares                                    | 17,857        | –             | –                          | –              | –                            | –                 | 17,857       |
| Redemption of redeemable shares                       | (98)          | –             | 98                         | –              | –                            | (98)              | (98)         |
| Share-based payment                                   | –             | –             | –                          | –              | 7,259                        | –                 | 7,259        |
|                                                       | 18,190        | 2,677         | 98                         | 425            | 7,259                        | (98)              | 28,551       |
| Balance as at 30 June 2014                            | 18,190        | 2,677         | 98                         | 425            | 7,259                        | 2,948             | 31,597       |

Please also refer to note 19 and 20 of the consolidated financial statements.

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A full list of Group companies is included in the Group financial statements, note 5.

### **5. Share-based payments**

#### *Shares subject to repurchase*

As determined by the Board of Directors, the Group allows certain individuals to early exercise share options. The Group retains the right to repurchase, at the original exercise price, any unvested (but issued) restricted shares during the repurchase period following employee termination. The consideration received for the early exercise of share options is recorded as a liability and reclassified into equity as the awards vest.

Outstanding restricted shares as at 30 June 2014 included 1,097,434 shares subject to repurchase as they were early exercised and unvested. Early exercised options had a weighted-average exercise price of \$1.87 per share with a corresponding grant-date fair value of \$2 million. Amounts reclassified into contributed equity during financial year 2014, as a result of the vesting of the early exercised shares were \$1 million.

For more details of share-based payments, see note 25 of the consolidated financial statements.