

ANNUAL REPORT AND FINANCIAL STATEMENTS

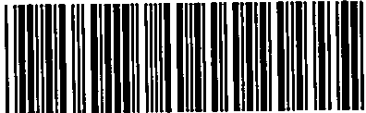
Atlassian Corporation Plc
Year Ended June 30, 2015

Registered No 8776021

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Atlassian Corporation Plc

Financial Statements

Year Ended June 30, 2015

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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 June 30, 2015

Business Review

The Group's results in fiscal 2015 showed strong momentum in the business from both core products and new product launches. Key business highlights included:

- Added more than 11,000 net new customers, bringing the total to more than 48,000 worldwide,
- Launched JIRA Data Center, Confluence Data Center and Stash Data Center, which are server products targeting large user deployments at high scale and high availability,
- Launched JIRA Portfolio, which manages different JIRA projects and initiatives across multiple teams, and
- Launched HipChat Server, which is an on-premise version of our text, audio and video chat service
- Net income for the fiscal year ended June 30, 2015, after taxation, was \$6.8 million. During the year, the Group did not declare any dividends.

The Group's key financial and other performance indicators during the year were as follows:

	Year Ended 30 June	
	2015	2014
	<i>(US \$ in thousands)</i>	
Revenues	319,521	215,109
Operating income	417	21,531
Cash and cash equivalents	187,094	116,766
Net cash generated from operations	98,221	75,280

Revenue increased by 49% during the financial year, aided by growth of existing products and the launch of new products. Accordingly, cash and cash equivalents increased 60% and cash flow from operations increased 30% in conjunction with the Group's continued growth. Operating profit for the financial year decreased 98% as a result of increased investment in the business, primarily driven by additional hiring and related compensation costs. We also increased our research and development costs in order to improve and extend our service offerings and develop new technologies.

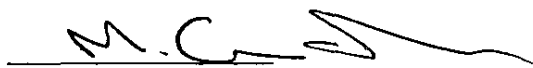
Principal Risks and Uncertainties

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

- Our rapid growth makes it difficult to evaluate our future prospects and may increase the risk that we will not continue to grow at or near historical rates
- We may not be able to sustain our revenue growth rate or achieve profitability in the future
- The markets in which we participate are intensely competitive, and if we do not compete effectively, our business, results of operations and financial condition could be harmed
- Our distribution model of offering and deploying our products via both the cloud and on premises causes us to incur increased expenses and may pose challenges to our business
- Our business depends on our customers renewing their subscriptions and maintenance plans and purchasing additional licenses or subscriptions from us. Any decline in our customer retention or expansion would harm our future results of operations
- If we are not able to develop new products and develop enhancements to our products that achieve market acceptance and that keep pace with technological developments, our business and results of operations would be harmed
- If we cannot expand the use of our products beyond our historical focus on software developers, our ability to grow our business may be harmed
- We invest significantly in research and development, and to the extent our research and development investments do not translate into new products or material enhancements to our current products, or if we do not use those investments efficiently, our business and results of operations would be harmed
- If we fail to effectively manage our growth, our business and results of operations could be harmed
- If our current marketing model is not effective in attracting new customers, we may need to incur additional expenses to attract new customers and our business and results of operations could be harmed
- If our security measures are breached or unauthorized access to customer data is otherwise obtained, our products may be perceived as insecure, we may lose existing customers or fail to attract new customers, and we may incur significant liabilities

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

A handwritten signature in black ink, appearing to read 'M. Cannon-Brookes', written over a horizontal line.

Michael Cannon-Brookes
Company Director

Directors' Report

The Directors present the financial statements and related strategic report of Atlassian Corporation Plc (Registered No 8776021) and its subsidiaries (together, the Group) for the year ended June 30, 2015

Group financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), which includes all standards issued by the International Accounting Standards Board, as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS, and related interpretations issued by the IFRS Interpretations Committee. Parent financial statements are prepared in accordance with applicable law and United Kingdom Accounting Standards.

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 to help teams organize, discuss and complete their work. 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' view 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

Profits and Dividends

Net income for the fiscal year ended June 30, 2015 was \$6.8 million. For the fiscal year ended June 30, 2015, the Group did not declare any dividends.

Research and Development

The Group remains committed to research and development to maintain its position as a market leader in our industry. During the fiscal year ended June 30, 2015, the Group incurred expense of \$140.9 million related to research and development. The basis of accounting for this expenditure is set out in Note 2 to the consolidated financial statements.

Events Since the Balance Sheet Date

On July 9, 2015, the Group entered into a series leases to extend its existing leases for office space in Sydney Australia (the "Lease Extensions") The Lease Extensions extend the existing facilities leases from June 30, 2017 to June, 30 2020 and will be accounted for as operating leases The minimum commitment under the Lease Extensions totals \$11.9 million over the three year term

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 Directors are made aware of and review 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 recognized 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 as low as 87% of its financial assets and 94% of its financial liabilities as at June 30, 2015, 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

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. The Group has a minimum credit rating requirement for banks and financial institutions with which it transacts.

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 10% 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 June 30, 2015, 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.

Board of Directors

The Board of Directors is comprised of the following individuals:

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

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 remains 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 2016.

Disclosure to Auditors

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

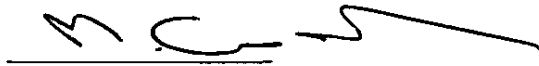
- So far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and

- 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 June 30, 2015 were authorized for issue by the Audit Committee of the Board of Directors on August 18, 2015. The Statements of Financial Position were signed on behalf of the Board of Directors by Michael Cannon-Brookes

By order of the Board of Directors

A handwritten signature in black ink, appearing to read 'M Cannon-Brookes', written over a horizontal line.

Michael Cannon-Brookes
Company Director

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 ATLISSIAN CORPORATION PLC

We have audited the group financial statements of Atlassian Corporation Plc for the period ended June 30, 2015 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 24. 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 June 30, 2015 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 June 30, 2015



David Hales

(Senior statutory auditor)

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

Reading

August 21 2015

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
CONSOLIDATED STATEMENTS OF OPERATIONS

		Fiscal Year Ended	
		June 30,	
	Notes	2015	2014
Revenues			
Subscription		85,891	51,007
Maintenance		160,373	112,134
Perpetual license		57,373	44,186
Other		15,884	7,782
Total revenues		319,521	215,109
Cost of revenues	7	52,932	37,986
Gross profit		266,589	177,123
Operating expenses			
Research and development	7	140,853	78,640
Marketing and sales	7	67,989	34,968
General and administrative	7	57,330	41,984
Total operating expenses		266,172	155,592
Operating income		417	21,531
Other non-operating income (expense), net	6	(1,318)	608
Finance income		226	317
Finance costs		(74)	(228)
Income (loss) before income tax benefit (expense)		(749)	22,228
Income tax benefit (expense)	8	7,524	(3,246)
Net income		6,775	18,982
Net income attributable to			
Owners of Atlassian Corporation Plc		6,775	18,982
Net income per share attributable to ordinary shareholders			
Basic		0 04	0 11
Diluted		0 04	0 11

The above consolidated statements of operations should be read in conjunction with the accompanying notes

ATLASSIAN CORPORATION PLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(U S \$ in thousands)

		Fiscal Year Ended June 30,	
	Notes	2015	2014
Net income		6,775	18,982
Items that may be reclassified to consolidated income statement in subsequent periods			
Foreign currency translation adjustment	15	118	25
Other comprehensive income, net of tax		118	25
Total comprehensive income		6,893	19,007
Total comprehensive income attributable to:			
Owners of Atlassian Corporation Plc		6,893	19,007

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

ATLASSIAN CORPORATION PLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(U S \$ in thousands)

		June 30,	
	Notes	2015	2014
Assets			
Current assets			
Cash and cash equivalents	13	187,094	116,766
Short-term investments		30,251	45,235
Trade and other receivables	9	13,371	4,749
Current tax receivables		939	1,413
Prepaid expenses and other current assets		6,976	3,040
Total current assets		<u>238,631</u>	<u>171,203</u>
Non-current assets			
Property and equipment, net	10	41,948	16,038
Deferred tax assets	8	81,519	48,222
Goodwill	11	7,152	1,724
Intangible assets, net	11	21,099	18,984
Other non-current assets	13	6,812	5,867
Total non-current assets		<u>158,530</u>	<u>90,835</u>
Total assets		<u>397,161</u>	<u>262,038</u>
Liabilities			
Current liabilities			
Trade and other payables	13	52,636	38,369
Current tax liabilities		973	276
Provisions	13	3,314	2,622
Deferred revenue		131,231	85,262
Total current liabilities		<u>188,154</u>	<u>126,529</u>
Non-current liabilities			
Deferred tax liabilities	8	4,919	2,936
Provisions	13	1,873	1,756
Deferred revenue		5,334	3,921
Other non-current liabilities	13	6,827	1,567
Total non-current liabilities		<u>18,953</u>	<u>10,180</u>
Total liabilities		<u>207,107</u>	<u>136,709</u>
Equity			
Share capital	14	18,461	18,190
Share premium	15	5,744	2,677
Capital redemption reserve	15	98	98
Merger reserve	15	34,943	34,943
Share-based payments reserve	15	111,753	57,259
Foreign currency translation reserve	15	4,153	4,035
Retained earnings		14,902	8,127
Total equity		<u>190,054</u>	<u>125,329</u>
Total liabilities and equity		<u>397,161</u>	<u>262,038</u>

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

On behalf of the Board of Directors


Michael Cannon-Brookes
Company Director

ATLASSIAN CORPORATION PLC
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(U S \$ in thousands)

	Notes	Share capital	Share premium	Capital redemption reserve	Merger reserve	Share-based payments reserve	Foreign currency translation reserve	Retained earnings (accumulated losses)	Total equity
Balance as at July 1, 2013		17,527	—	—	32,943	12,455	4,010	(757)	66,178
Comprehensive income									
Net income		—	—	—	—	—	—	18,982	18,982
Other comprehensive income		—	—	—	—	—	25	—	25
Total comprehensive income		—	—	—	—	—	25	18,982	19,007
Transactions with owners in their capacity as owners									
Exercise of share options, net of early exercise	14	576	2,677	—	1,056	—	—	—	4,309
Vesting of early exercised shares	14	87	—	—	944	—	—	—	1,031
Dividends provided for or paid	16	—	—	—	—	—	—	(10,000)	(10,000)
Issue of share options	21	—	—	—	—	910	—	—	910
Issue of redeemable shares	14	98	—	—	—	—	—	—	98
Redemption of redeemable shares	21	(98)	—	98	—	—	—	(98)	(98)
Share-based payment	21	—	—	—	—	11,364	—	—	11,364
Tax benefit from share plans	21	—	—	—	—	32,530	—	—	32,530
		663	2,677	98	2,000	44,804	—	(10,098)	40,144
Balance as at June 30, 2014		18,190	2,677	98	34,943	57,259	4,035	8,127	125,329
Comprehensive income									
Net income		—	—	—	—	—	—	6,775	6,775
Other comprehensive income		—	—	—	—	—	118	—	118
Total comprehensive income		—	—	—	—	—	118	6,775	6,893
Transactions with owners in their capacity as owners									
Exercise of share options, net of early exercise	14, 15	210	2,128	—	—	—	—	—	2,338
Vesting of early exercised shares	14, 15	61	939	—	—	—	—	—	1,000
Share-based payment	21	—	—	—	—	41,534	—	—	41,534
Tax benefit from share plans	21	—	—	—	—	12,960	—	—	12,960
		271	3,067	—	—	54,494	—	—	57,832
Balance as at June 30, 2015		18,461	5,744	98	34,943	111,753	4,153	14,902	190,054

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
(U S \$ in thousands)

		Fiscal Year Ended	
		June 30,	
	Notes	2015	2014
Operating activities			
Income (loss) before income tax		(749)	22,228
Adjustments to reconcile income (loss) before income tax to net cash provided by operating activities			
Depreciation and amortization	10, 11	15,511	13,316
Net loss on disposal of property and equipment	10	71	32
Net unrealized foreign currency (gain) loss		1,473	(1,109)
Share-based payment expense	21	41,534	11,364
Accretion of interest		54	226
Change in fair value of contingent consideration	5	(155)	10
Changes in assets and liabilities			
Trade and other receivables		(8,708)	(3,023)
Prepaid expenses and other current assets and other non-current assets		(9,295)	(4,064)
Trade and other payables, provisions and other non-current liabilities		16,013	13,052
Deferred revenue		47,381	24,785
Interest received		156	347
Income tax paid, net of refunds		(5,065)	(1,884)
Net cash provided by operating activities		98,221	75,280
Investing activities			
Business combinations, net of cash acquired		(10,615)	—
Purchases of property and equipment	10	(31,776)	(8,110)
Purchases of intangible assets	11	(900)	(2,149)
Purchases of short-term investments and deposits		(50,033)	(45,498)
Proceeds from maturities of short-term investments and deposits		64,758	11,641
Payment of deferred consideration		—	(2,438)
Net cash used in investing activities		(28,566)	(46,554)
Financing activities			
Proceeds from exercise of share options, including early exercised options		2,338	7,429
Proceeds from issuance of preference shares		—	—
Dividends paid to shareholders	16	—	(10,000)
Net cash provided by (used in) financing activities		2,338	(2,571)
Effect of exchange rate changes on cash and cash equivalents		(1,665)	445
Net increase in cash and cash equivalents		70,328	26,600
Cash and cash equivalents at beginning of year		116,766	90,166
Cash and cash equivalents at end of year		187,094	116,766
Purchase of property and equipment, accrued not paid		3,286	1,208

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

Atlassian Corporation Plc
Company Statement of Financial Position
Atlassian Corporation Plc

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Atlassian Corporation Plc

Notes to Consolidated Financial Statements

1. Corporate Information

The accompanying consolidated financial statements of Atlassian Corporation Plc (the “Company”) and its subsidiaries (together, “Atlassian” or the “Group”) for the year ended June 30, 2015 were authorized for issue in accordance with a resolution of the Audit Committee of the Board of Directors on August 21, 2015

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 to help teams organize, discuss and complete their work. The Group’s products serve teams of all shapes and sizes, in virtually every industry. The Group’s products include JIRA for team planning and project management, Confluence for team content creation and sharing, HipChat for team messaging and communications, Bitbucket for team code sharing and management and JIRA Service Desk for team services and support applications.

Atlassian Corporation Plc is a public company limited by shares, incorporated and registered in the United Kingdom. The registered office is located at Exchange House, Primrose Street, London EC2A 2EG, c/o Herbert Smith Freehills LLP. 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 4, “Group information.” Information on other related party relationships of the Group is provided in Note 19, “Related party transactions.”

2 Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These accounting 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, “Critical accounting estimates and judgments.”

Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”), which includes all standards issued by the International Accounting Standards Board (“IASB”), as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS, and related interpretations issued by the IFRS Interpretations Committee. 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.

All amounts included in the Consolidated Financial Statements are reported in thousands of U.S. dollars (\$ in thousands) except where otherwise stated. Due to rounding, numbers presented

Atlassian Corporation Plc

Notes to Consolidated Financial Statements

throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures

Prior period reclassifications

Certain reclassifications to fiscal year ended June 30, 2014 balances were made to conform to the current period presentation on the consolidated income statement and consolidated statements of financial position

The revenue section of the consolidated income statement has been modified to emphasize the nature of our subscription-based business and our perpetual license business. The cloud-based service revenue line item is now titled subscription revenue and the software license revenue line item is now titled perpetual license revenue.

Revenue from starter licenses comprises all support revenue as the pricing for renewals is identical to the first year cost and therefore there is no amount of license revenue to be recognized under the residual method. As a result, starter license revenue, which was included in other revenue for the fiscal year ended June 30, 2014, has been included in maintenance revenue in the current period presentation.

In the consolidated income statement

- amortization of intangible assets, which was included as a separate operating expense line item during the fiscal year ended June 30, 2014, has been included in costs of revenues and marketing and sales expense in the current period presentation
- other operating expenses, which was included as a separate operating expense line item during the fiscal year ended June 30, 2014, has been included in general and administration expense and research and development expense in the current period presentation

In the consolidated statement of financial position, other current liabilities, which was included as a separate liability at June 30, 2014, has been included in trade and other payables in the current year presentation.

Segment information

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 for which discrete financial information is 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 financial information. Accordingly, the Group has determined it operates in one operating segment.

Reorganization

In February 2014, the shareholders of the former parent company, Atlassian Corporation Pty Ltd (the “Former Parent Company”), approved a formal business entity reorganization whereby

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Atlassian Corporation Plc, a United Kingdom public limited company, became the parent of the Group (the “Reorganization”) Immediately subsequent to the Reorganization, shareholders of the Company had the same economic interest in the Company as they had in the Former Parent Company immediately prior to the Reorganization Similarly, holders of restricted share options in the Former Parent Company also received reciprocal options for restricted shares and Class B ordinary share options (as applicable) in the Company

The Reorganization has been accounted for as a capital reorganization The consolidated financial statements are therefore presented as if the Company 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 June 30, 2015, 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 financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated Unrealized intercompany losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred

Foreign currency translation

The Group’s consolidated financial statements are presented using the U S dollar, which is the Company’s functional currency The Group determines the functional currency for each entity in accordance with International Accounting Standard (IAS) 21, *The Effects of Changes in Foreign Exchange Rates*, based on 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 currency The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from applying 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

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All differences arising on settlement or translation of monetary items are recorded in other non-operating income (expense) on the consolidated statements of operations, with the exception of monetary items that are designated as part of the Group's net investment in foreign operations. These differences on translation of the foreign operations account are recognized in other comprehensive income (loss) until the net investment is disposed. At the time of disposal, the cumulative amount is reclassified to foreign currency translation on the consolidated statements of operations.

Certain non-monetary items, such as property and equipment, which are measured at historical cost in a foreign currency, are translated using the exchange rates as at the dates of the initial transactions. Certain non-monetary items initially measured at fair value in a foreign currency, such as intangible assets, are translated using the exchange rates as at the date when the fair value is determined.

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 recognized in other comprehensive income (loss).

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.

Revenue recognition

The Group primarily derives revenues from subscription, maintenance, perpetual license, and training and other services.

Revenue is recognized in line with the requirements 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. In the absence of industry-specific software revenue recognition guidance under IFRS, the Group looks to generally accepted accounting principles adopted in the United States ("U S GAAP") when establishing policies related to revenue recognition. The Group's revenue recognition policy considers the guidance provided by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic 985-605, *Software Revenue Recognition*, and FASB ASC Subtopic 605-25, *Multiple-Element Arrangements*, where applicable, as authorized by IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

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. Additionally, 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. The Group enters into arrangements directly with end users as well as indirectly.

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through value added channel partners (“Experts”) and resellers. Revenue recognition for indirect customers is the same as for direct customers as the terms of sale are substantially the same.

Subscription revenue

Subscription revenue represents fees earned from subscription-based arrangements for (1) cloud-based services for 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 without significant penalty, and (2) software licensed for a specified period, in which fees for support and maintenance are bundled with the license fee over the entire term of the license period. Subscription-based arrangements generally have a contractual term of one to twelve months, with a majority being one month. Subscription revenue is recognized ratably 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.

Maintenance revenue

Maintenance revenue represents fees earned from providing customers unspecified future updates, upgrades and enhancements and technical product support for perpetual license products on an if and when available basis. The first year of maintenance is purchased concurrently with the purchase of our perpetual licenses, and subsequent renewals extend for an additional year in most cases. Maintenance services are priced as a percentage of the total product sale, and a substantial majority of customers elect to renew software support contracts annually at standard list maintenance renewal pricing. Maintenance revenue is recognized based on the Group’s performance under the maintenance arrangement. For these arrangements, revenue is recognized ratably over the term of the maintenance arrangements.

Perpetual license revenue

Perpetual license revenue represents fees earned from the license of software to customers for use on the customer’s premises. Software is licensed on a perpetual basis, subject to a standard licensing agreement. The Group recognizes revenue on the license portion of perpetual license arrangements on the date of product delivery in substantially all situations.

Other revenue

Other revenues include fees received for sales of third-party add-ons and extensions in the Group’s online marketplace called Atlassian Marketplace and for training services. Revenue from the sale of third-party vendor products via Atlassian Marketplace is recognized net of the vendor liability portion as the Group functions as an agent in the relationship. The Group’s revenue portion is recognized on the date of product delivery given that the Group has no future obligations. Revenue from training is recognized as delivered or when the rights to receive training expire.

Multiple-element arrangements

Many of the Group’s arrangements include purchases of both software related products and services. For these software related multiple-element arrangements, the Group applies the

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residual method to determine the amount of software license revenue to be recognized. The Group first allocates fair value to elements of a software related multiple-element arrangement based on its fair value as determined by vendor specific objective evidence ("VSOE"), with any remaining amount allocated to the software license. The Group determines VSOE based on its historical pricing for a specific product or service when sold separately and when a substantial majority of the selling prices for these services fall within a narrow range.

Cloud arrangements may be purchased alongside other services that are intended to be used with the cloud offering. Such arrangements are considered to be non-software multiple-element arrangements. The Group accordingly allocates revenue to each element considered to be a separate unit of accounting using the relative selling price of each unit.

If the Group enters into an arrangement with both software and non-software deliverables, the Group will first allocate the total arrangement consideration based on the relative selling prices of the software group of elements as a whole and the non-software elements. The Group then further allocates consideration within the software group in accordance with the residual method described above.

The revenue amount allocated to each element is recognized when the revenue recognition criteria described above have been met for the respective element.

Channel partners

The Group allows channel partners to purchase products on behalf of end users. Indirect channels include Experts and re-sellers with a focus on customers that require local language support. Experts are sanctioned value-added channel partners who receive a sales margin if they maintain specified quarterly sales targets. Revenue from an arrangement with a channel partner is recognized when the transaction is completed with the channel partner, as the channel partner bears all risk of non-payment by the end user. Channel partners identify the end user for these arrangements and do not hold any additional right to return unsold products for a refund or credit. Products purchased by channel partners on behalf of end users are non-transferrable and must be provided directly to the end user.

Taxation

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 operations 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

The Group uses the liability method of accounting for income taxes. Deferred income tax assets and liabilities represent temporary differences between the carrying amounts of assets and

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liabilities in the consolidated financial statements and their corresponding tax basis used in the computation of taxable income. Deferred tax however is not recognized 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 recognized 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 recognized to the extent that they are expected to reverse in the foreseeable future and it is probable that they will be able to be utilized 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. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized 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 realization, provided the tax rates and laws 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 utilized.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset 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 recognized as a component of tax income or expense in the consolidated statements of operations, except where they relate to items that are recognized in other comprehensive income (loss) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income (loss) or equity, respectively. Where deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Share-based payments

Employees of the Group receive, in part, remuneration for services rendered in the form of share-based payments, which are considered equity-settled transactions. The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance or service conditions are fulfilled. The cumulative expense recognized 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 share-based payment expense for each reporting period reflects the movement in cumulative expense recognized at the beginning and end of that period. The Group follows the accelerated method of expense recognition for share-based awards, as the awards vest in tranches over the vesting period.

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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.

If an equity-settled award is cancelled, it is treated as if it had forfeited on the date of cancellation, and any expense previously recognized for unvested shares is immediately reversed.

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 fulfillment 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.

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

Business combinations

Business combinations are accounted for using the acquisition method 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 and are recognized in the consolidated statements of operations. Identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values at the acquisition date. Upon acquisition, the Group recognizes any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the date of exchange.

Goodwill

Goodwill is initially measured at cost, which is the excess of the aggregate of the consideration transferred and the amount recognized 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 of these assets acquired and liabilities assumed, the difference is recognized in the consolidated statements of operations. 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

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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.

Cash and cash equivalents

Cash and cash equivalents 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.

Trade receivables

Trade receivables are recognized at fair value, less a provision for impairment. Trade receivables are unsecured and substantially all are 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 for doubtful accounts (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 reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the impairment loss is recognized within general and administrative expenses. When a trade receivable for which an impairment allowance had been recognized 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 operations.

Investments

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, 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

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and other receivables, tax receivables, and short-term and long-term deposits with fixed interest rates

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized 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 operations.

Held-to-maturity investments are subsequently carried at amortized cost using the effective-interest method.

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 if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event 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 amortized 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 recognized in the consolidated statements of operations.

If a 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 recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of operations.

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 as at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price.

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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 as at the statement of financial position date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates as at the statement 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.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Historical cost includes expenditures directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized when replaced. All other repairs and maintenance are expensed as 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 equipment, the lease term if shorter. The estimated useful lives for each asset class are as follows:

Equipment	3 – 5 years
Computer hardware and computer-related software	3 – 5 years
Furniture and fittings	5 – 10 years
Leasehold improvements	Shorter of the lease term or 7 years

Research and development

Research and development includes the employee and hardware costs incurred for the development of new products, enhancements and updates of existing products and quality assurance activities. These costs incurred internally from development of computer software are capitalized only when technological feasibility has been established for the solution. To establish technological feasibility, the Group must demonstrate it intends to complete development and the solution will be available for sale or internal use, it is probable the solution will generate future economic benefits, and the Group has the ability to reliably measure the expenditure attributable to the solution during its development. The Group has determined that technological feasibility of software solutions is reached shortly before the solution is released or deployed. The Company has not capitalized any research and development costs.

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

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acquisition Following initial recognition, intangible assets are carried at cost, net of accumulated amortization

The useful lives of intangible assets are assessed to be either finite or indefinite Intangible assets with finite lives are amortized over their useful life using the straight-line method The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually at each fiscal 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 amortization period or method, as appropriate, which is a change in an accounting estimate The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of operations in the expense category, consistent with the function of the intangible asset

The estimated useful lives for each intangible asset class are as follows

Patents, trademarks and other rights	2 – 7 years
Customer relationships	2 – 4 years
Software	3 – 10 years

Impairment of goodwill, intangible assets and long-lived assets

Goodwill is tested for impairment annually during the fourth quarter of the Group's fiscal 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 recognized Impairment losses relating to goodwill cannot be reversed in future periods

Intangible assets 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 recognized

The residual values and useful lives of long-lived 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

Provisions and accrued liabilities

Provisions and accrued expenses are recognized when the Group has a present 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 recognized 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

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recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small

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 recognized as finance costs.

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 14, "Shareholders' equity," for the terms and conditions on preference, ordinary and restricted shares.

Dividends

Provision is made for any dividend declared, being appropriately authorized 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.

Royalties

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

Changes in accounting standards

No new accounting standards were adopted by the Group during the fiscal year ended June 30, 2015 that had a material impact on the consolidated financial statements.

New accounting standards not yet adopted

In July 2014, the IASB issued IFRS 9, *Financial Instruments*, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. The standard applies to the classification and measurement of financial assets and financial liabilities and will be effective for the Group beginning in the fiscal year ending June 30, 2019. The Group has not yet completed the determination of the impact to the consolidated financial statements.

In May 2014, the IASB (in a joint effort with the FASB) issued IFRS 15, *Revenue from Contracts with Customers*, which supersedes most current revenue recognition requirements. The standard establishes a principle for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration to be entitled to in exchange for those goods or services. The standard also requires new disclosures about the

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nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for the Group beginning for its fiscal year ending June 30, 2019, and early application is permitted under IFRS. The Group is currently in the process of assessing the adoption methodology, which allows the amendment to be applied retrospectively to each prior period presented, or with the cumulative effect recognized as at the date of initial application. The Group is also currently evaluating the impact of the adoption of the standard on its consolidated financial statements.

3. Critical accounting estimates and judgments

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

Significant accounting judgments

Taxation

Deferred tax assets are recognized for deductible temporary differences for which management considers it is probable that future taxable income will be available to utilize those temporary differences. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, 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 recognized based upon the likely timing and the level of future taxable income available to utilize 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 recognized deferred tax asset and liability carrying amounts may require adjustment, resulting in a corresponding credit or charge to the consolidated statements of operations.

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

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product 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 fiscal years ended June 30, 2015 and 2014.

Significant accounting estimates and assumptions

Revenue

As described in the revenue accounting policy, revenue will be recognized 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 recognized.

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 restricted share options and a Monte Carlo-based model for restricted share units ("RSUs") based on the valuation of restricted shares. 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.

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4. Group information

As at June 30, 2015, the Group's subsidiaries, all of which are wholly owned, are as follows

Name	Country of Incorporation
Atlassian (UK) Limited	United Kingdom
Atlassian (Australia) Limited	United Kingdom
Atlassian (Global) Limited	United Kingdom
Atlassian (UK) Operations Limited	United Kingdom
Atlassian, Inc	United States of America
Atlassian LLC	United States of America
Atlassian Network Services, Inc	United States of America
CompanyLine Corporation	United States of America
Atlassian Australia 1 Pty Ltd	Australia
Atlassian Australia 2 Pty Ltd	Australia
Atlassian Corporation Pty Ltd	Australia
Atlassian Pty Ltd	Australia
Atlassian Capital Pty Ltd	Australia
MITT Australia Pty Ltd	Australia
MITT Trust	Australia
Atlassian K K	Japan
Atlassian Germany GmbH	Germany
Atlassian B V	Netherlands
Atlassian Philippines, Inc	Philippines
BlueJimp SAS	France
SIP Communicator Ltd	Bulgaria

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 June 30, 2015

Name	Registration number
Atlassian (UK) Limited	8777838
Atlassian (Australia) Limited	8779888
Atlassian (Global) Limited	8781674
Atlassian (UK) Operations Limited	8855064

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5 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 minimize 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 globally 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 recognized financial assets and liabilities denominated in a currency other than U.S. dollars. Management has set up a policy requiring the Group entities to monitor their foreign exchange risk against their functional currency.

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

	As at June 30,	
	2015	2014
	<i>(US \$ in thousands)</i>	
Cash and cash equivalents		
Australian dollar	5,674	2,560
British pound	1,081	—
Euro	741	637
Japanese yen	240	16
Philippine peso	717	33
	8,453	3,246
Trade receivables		
Australian dollar	674	553
British pound	14	32
Euro	125	197
Philippine peso	192	27
	1,005	809
Current tax receivables		
Australian dollar	851	—
Euro	113	—
	964	—
Other non-current assets		
Australian dollar	463	482
Euro	—	62
Japanese yen	—	41
Philippine peso	116	63
Swiss franc	229	224
	808	872

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	As at June 30,	
	2015	2014
	<i>(US \$ in thousands)</i>	
Trade and other payables		
Australian dollar	9,403	8,194
Euro	874	1,203
British pound	128	98
Japanese yen	131	131
Philippine peso	183	60
	10,719	9,686
Current tax liabilities		
Euro	37	59
Japanese yen	120	83
Philippine peso	76	—
	233	142
Other non-current liabilities		
Australian dollar	2,932	2,366
Euro	—	12
Japanese yen	10	19
Philippine peso	36	—
	2,978	2,397

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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 change in the US dollar relative to the foreign currencies as shown above would have on the Group's financial operations

	Carrying Amount	Foreign Exchange Risk			
		-10%		+10%	
		Income	Other Equity	Loss	Other Equity
(U S \$ in thousands)					
As at June 30, 2015					
Financial assets					
Cash and cash equivalents	187,094	571	274	(571)	(274)
Short-term investments	30,251	—	—	—	—
Trade and other receivables	13,371	65	39	(65)	(39)
Current tax receivables	939	85	17	(85)	(17)
Other non-current assets	6,976	69	12	(69)	(12)
Total exposure from financial assets		790	342	(790)	(342)
Financial liabilities					
Trade and other payables	52,636	(929)	(145)	929	145
Current tax liabilities	973	6	(29)	(6)	29
Other non-current liabilities	6,827	(293)	(5)	293	5
Total exposure from financial liabilities		(1,216)	(179)	1,216	179
As at June 30, 2014					
Financial assets					
Cash and cash equivalents	116,766	263	62	(263)	(62)
Short-term investments	45,235	—	—	—	—
Trade and other receivables	4,749	59	24	(59)	(24)
Current tax receivables	1,413	—	—	—	—
Other non-current assets	3,040	71	17	(71)	(17)
Total exposure from financial assets		393	103	(393)	(103)
Financial liabilities					
Trade and other payables	38,369	(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		(1,086)	(137)	1,086	137

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The above sensitivity analyses are not representative of the actual risk inherent to the Group's financial assets and liabilities, as the exposure at the end of the reporting period does not reflect the exposure during the period

Interest rate risk

The Group's exposure to interest rate risk is low, as 87% of its financial assets and 94% of its financial liabilities as at June 30, 2015 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.

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. The Group has a minimum credit rating requirement for banks and financial institutions with which it transacts.

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 accounted for more than ten percent of total revenues during each of the fiscal years ended June 30, 2015 or 2014.

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 June 30, 2015 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 18, "Commitments."

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Notes to Consolidated Financial Statements

Contractual maturities of current financial assets and liabilities are as follow

	Up to Three Months	Four to 12 Months	Total Contractual Cash Flows
	<i>(U S \$ in thousands)</i>		
As at June 30, 2015			
Financial assets			
Cash and cash equivalents	187,094	—	187,094
Short-term investments	211	30,040	30,251
Trade and other receivables	13,222	149	13,371
Current tax receivables	—	939	939
Financial liabilities			
Trade and other payables	(52,636)	—	(52,636)
Current tax liabilities	(973)	—	(973)
Provisions	—	(3,314)	(3,314)
	146,918	27,814	174,732
As at June 30, 2014			
Financial assets			
Cash and cash equivalents	116,766	—	116,766
Short-term investments	15,235	30,000	45,235
Trade and other receivables	4,528	221	4,749
Current tax receivables	—	1,413	1,413
Financial liabilities			
Trade and other payables	(37,275)	(1,094)	(38,369)
Current tax liabilities	—	(276)	(276)
Provisions	—	(2,622)	(2,622)
	99,254	27,642	126,896

Capital risk management

The primary objective of the Group's capital structure is to ensure that it maintains appropriate capital ratios to support its business and maximize 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 fiscal years ended June 30, 2015 and 2014.

Fair value measurements

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

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Notes to Consolidated Financial Statements

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 maximize 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.

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 judgments and considers factors specific to the asset or liability.

The Group had no financial assets or liabilities measured at fair value on a recurring basis as at June 30, 2015.

The following table presents the changes in Level 3 instruments for the year ended June 30, 2015.

	<i>(US \$ in thousands)</i>
Contingent consideration	
Opening balance as at July 1, 2014	248
Payments	(93)
Changes in fair value	(155)
Closing balance as at June 30, 2015	<u>—</u>

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Notes to Consolidated Financial Statements

The following table presents the Group's financial assets and liabilities measured and recognized at fair value as at June 30, 2014, by level within the fair value hierarchy

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>(US \$ in thousands)</i>			
Balance sheet line item – description				
Other current liabilities – contingent consideration	–	–	248	248
Total financial liabilities	<u>–</u>	<u>–</u>	<u>248</u>	<u>248</u>

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

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

The Group's short-term investments are exclusively comprised of term deposits that mature within one year. These investments are classified as held-to-maturity and are recorded at amortized cost.

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

Other non-operating income (expense), net consisted of the following

	Fiscal Year Ended	
	June 30,	
	<u>2015</u>	<u>2014</u>
	<i>(US \$ in thousands)</i>	
Foreign currency exchange gain (loss), net	(1,328)	595
Other income	10	13
	<u>(1,318)</u>	<u>608</u>

The foreign currency exchange loss in the fiscal year ended June 30, 2015 was primarily associated with the remeasurement of monetary assets denominated in the Australian dollar and was a result of the depreciation of the Australian dollar against the U.S. dollar over the course of the fiscal year.

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Notes to Consolidated Financial Statements

7. Expenses

Income (loss) before income tax benefit (expense) included the following expenses

	Fiscal Year Ended June 30,	
	2015	2014
	<i>(US \$ in thousands)</i>	
Depreciation		
Equipment	518	356
Computer hardware and software	5,428	3,444
Furniture and fittings	308	180
Leasehold improvements	2,800	1,647
Total depreciation	9,054	5,627
Amortization		
Patents and trademarks	31	31
Customer relationships	9	67
Software	6,417	7,591
Total amortization	6,457	7,689
Total depreciation and amortization	15,511	13,316
Employee benefits expense		
Salaries and wages	102,220	68,711
Variable compensation	13,435	8,645
Payroll taxes	7,977	5,133
Share-based payment expense	41,534	11,364
Defined contribution superannuation expense	6,964	4,903
Contractor expense	21,884	14,865
Other	19,443	12,250
Total employee benefits expense	213,457	125,871

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

	2015	2014
Cost of revenues	211	159
Research and development	652	399
Marketing and sales	167	109
General and administration	205	130
	1,235	797

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Notes to Consolidated Financial Statements

Share-based payment expense has been allocated as follows

	2015	2014
Cost of revenues	2,862	625
Research and development	22,842	5,120
Marketing and sales	6,670	2,068
General and administrative	9,160	3,551
	41,534	11,364

Amortization of intangible assets, has been allocated as follows

	2015	2014
Cost of revenues	6,417	7,591
Marketing and sales	40	98
	6,457	7,689

8. Income tax

The major components of income tax benefit (expense) for the fiscal years ended June 30, 2015 and 2014, are as follows

	Fiscal Year Ended June 30,	
	2015	2014
	<i>(US \$ in thousands)</i>	
Current income tax		
Current income tax charge	(12,252)	(10,760)
Adjustments in respect of current income tax of previous year	236	281
Deferred tax		
Benefit relating to origination and reversal of temporary differences	19,336	7,233
Adjustments in respect of temporary differences of previous year	204	
Income tax benefit (expense)	7,524	(3,246)

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Notes to Consolidated Financial Statements

A reconciliation between tax expense and the product of accounting income multiplied by UK's domestic tax rate for the fiscal years ended June 30, 2015 and 2014, is as follows

	Fiscal Year Ended	
	June 30,	
	2015	2014
	<i>(US \$ in thousands)</i>	
Income (loss) before tax benefit (expense)	<u>(749)</u>	<u>22,228</u>
At the United Kingdom's statutory income tax rate of 20.8% and 22.5% in fiscal 2015 and 2014, respectively	155	(5,001)
Tax effect of amounts that are not deductible (taxable) in calculating taxable income		
Research and development deduction	5,765	4,542
Share-based payment	(5,124)	(1,563)
Foreign tax credits not utilized	(4,337)	(2,345)
Amortization of intangible assets that do not give rise to deferred taxes	(1,417)	(1,380)
Non-deductible retention on acquisition	(123)	—
Non-deductible finance costs	(655)	—
Non-assessable non-operating items	9,808	4,242
Foreign tax rate adjustment	3,151	(726)
Adjustment to deferred tax balance	605	(829)
Other items, net	<u>(540)</u>	<u>(467)</u>
	<u>7,288</u>	<u>(3,527)</u>
Adjustments in respect to current income tax of previous years	236	281
Income tax benefit (expense)	<u>7,524</u>	<u>(3,246)</u>

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Notes to Consolidated Financial Statements

Deferred tax

	Consolidated Statements of Financial Position		Consolidated Statements of Operations	
	As at June 30,		Fiscal Year Ended June 30,	
	2015	2014	2015	2014
	(US \$ in thousands)		(US \$ in thousands)	
Depreciation and amortization for tax purposes – Australia	5,457	4,564	894	760
Depreciation and amortization for tax purposes – U S	(2,167)	(1,184)	(748)	472
Provisions, accruals and prepayments	7,177	2,724	4,453	307
Unrealized foreign currency exchange losses (gains)	(45)	(201)	156	(630)
Carried forward tax losses (gains)	—	—	—	(7)
Carried forward tax losses – equity	—	4,975	(4,975)	—
Carried forward tax losses – business combinations	1,281	—	(24)	—
Carried forward tax credits – credited to profit and loss	16,922	4,787	11,650	4,571
Carried forward tax credits – credited to payable	—	349	(349)	—
Carried forward tax offset	185	—	—	—
Intangibles acquired through business combinations	(1,224)	—	41	—
Tax benefit from share plans – income	10,921	2,479	8,442	1,907
Tax benefit from share plans – equity	37,339	26,041	—	(585)
Other, net	754	752	—	438
Deferred tax income			<u>19,540</u>	<u>7,233</u>
Deferred tax assets, net	<u>76,600</u>	<u>45,286</u>		
Reflected in the consolidated statements of financial position as follows				
Deferred tax assets	81,519	48,222		
Deferred tax liabilities	<u>(4,919)</u>	<u>(2,936)</u>		
Deferred tax assets, net	<u>76,600</u>	<u>45,286</u>		
Amounts recognized directly in equity				
Net deferred tax – credited directly to equity	<u>12,960</u>	<u>32,530</u>		
Items for which no deferred tax asset has been recognized				
Unused tax losses for which no deferred tax asset has been recognized	691	—		
Capital loss	1,292	—		
Research and development credits	<u>1,833</u>	<u>891</u>		
	<u>3,816</u>	<u>891</u>		

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	<u>2015</u>	<u>2014</u>
	<i>(US \$ in thousands)</i>	
Reconciliation of deferred tax assets, net		
Balance as at July 1,	45,286	10,258
Deferred tax charge for the year	19,540	7,233
Credited to equity	12,960	32,530
Adjustment in respect of income tax payable	(1,177)	(4,735)
Carryforward tax offset	185	—
Impact from business combinations	(194)	—
Balance as at June 30,	<u>76,600</u>	<u>45,286</u>

The \$13.0 million and \$32.5 million credited to equity in fiscal 2015 and 2014, respectively, represent the deferred tax benefit of share-based payments in excess of the cumulative expense recognized 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 for carry forward available for offsetting against future taxable profits of \$3.7 million, which will begin to expire on June 30, 2031. The Group has carry forward research and development credits of \$16.9 million, which can be carried forward indefinitely. The Group has not recognized deferred tax assets of \$0.7 million for a net operating loss carryforward expected to expire unused on June 30, 2034, \$0.6 million for state credit carryforwards expected to expire unused on June 30, 2024, and \$1.3 million for state credits that will carryforward indefinitely but which the Group does not expect to utilize.

9. Trade and other receivables

As at June 30, 2015 and 2014, the Group's trade and other receivables were as follows:

	As at June 30,	
	<u>2015</u>	<u>2014</u>
	<i>(US \$ in thousands)</i>	
Trade receivables	11,854	3,818
Provision for impairment of receivables	(107)	(4)
	<u>11,747</u>	<u>3,814</u>
Accrued interest income	73	45
Other receivables	1,551	890
Total trade and other receivables – current	<u>13,371</u>	<u>4,749</u>

As at June 30, 2015, one customer, a channel partner, that accounted for 11% of the total trade receivables balance. As at June 30, 2014, three customers individually accounted for more than 10% of the total trade receivables. Those customers, which were all channel partners, represented 12%, 10% and 10% as at June 30, 2014.

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Impaired trade receivables

As at June 30, 2015 and 2014, the Group had a provision for impaired receivables of \$107,000 and \$4,000, respectively. The aging of these receivables is as follows:

	As at June 30,	
	2015	2014
	<i>(US \$ in thousands)</i>	
Three to six months	105	—
Over six months	2	4
	107	4

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

	2015	2014
	<i>(US \$ in thousands)</i>	
As at July 1,	4	—
Charge for the year	107	4
Unused amount reversed	(4)	—
As at June 30,	107	4

Past due but not impaired

As at June 30, 2015 and 2014, trade receivables that were past due but not impaired totalled \$2.3 million and \$1.3 million, respectively. These relate to a number of partners and customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	As at June 30,	
	2015	2014
	<i>(US \$ in thousands)</i>	
Up to three months	1,750	1,279
Three to six months	540	—
	2,290	1,279

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.

Foreign exchange and interest rate risk

See Note 5, "Financial risk management," for information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables.

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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 5, "Financial risk management," for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

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10. Property and equipment

Property and equipment, net consisted of the following

	<u>Equipment</u>	<u>Computer Hardware and Software</u>	<u>Furniture and Fittings</u>	<u>Leasehold Improvements</u>	<u>Total</u>
	<i>(US \$ in thousands)</i>				
As at July 1, 2013					
Cost	1,247	9,100	1,092	7,650	19,089
Accumulated depreciation	<u>(407)</u>	<u>(4,427)</u>	<u>(455)</u>	<u>(1,417)</u>	<u>(6,706)</u>
Net book amount	<u>840</u>	<u>4,673</u>	<u>637</u>	<u>6,233</u>	<u>12,383</u>
As at June 30, 2014					
Opening net book amount	840	4,673	637	6,233	12,383
Effect of change in exchange rates	1	4	3	—	8
Additions	62	7,551	98	1,595	9,306
Disposals	—	(32)	—	—	(32)
Depreciation expense	<u>(356)</u>	<u>(3,444)</u>	<u>(180)</u>	<u>(1,647)</u>	<u>(5,627)</u>
Closing net book amount	<u>547</u>	<u>8,752</u>	<u>558</u>	<u>6,181</u>	<u>16,038</u>
As at June 30, 2014					
Cost	1,311	16,369	1,172	9,245	28,097
Accumulated depreciation	<u>(764)</u>	<u>(7,617)</u>	<u>(614)</u>	<u>(3,064)</u>	<u>(12,059)</u>
Net book amount	<u>547</u>	<u>8,752</u>	<u>558</u>	<u>6,181</u>	<u>16,038</u>
As at June 30, 2015					
Opening net book amount	547	8,752	558	6,181	16,038
Effect of change in exchange rates	(2)	(9)	(11)	(5)	(27)
Additions	1,233	21,507	2,591	9,731	35,062
Disposals	—	(49)	(22)	—	(71)
Depreciation expense	<u>(518)</u>	<u>(5,427)</u>	<u>(309)</u>	<u>(2,800)</u>	<u>(9,054)</u>
Closing net book amount	<u>1,260</u>	<u>24,774</u>	<u>2,807</u>	<u>13,107</u>	<u>41,948</u>
As at June 30, 2015					
Cost	2,482	36,462	3,585	18,450	60,979
Accumulated depreciation	<u>(1,222)</u>	<u>(11,688)</u>	<u>(778)</u>	<u>(5,343)</u>	<u>(19,031)</u>
Net book amount	<u>1,260</u>	<u>24,774</u>	<u>2,807</u>	<u>13,107</u>	<u>41,948</u>

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Notes to Consolidated Financial Statements

11. Goodwill and intangible assets

Intangible Assets

Intangible assets comprise the following

	Patents, Trademarks and Other Rights	Software	Employee Contracts	Customer Relationships	In-Process R&D	Total
	<i>(US \$ in thousands)</i>					
As at July 1, 2013						
Cost	220	65,345	3,631	374	—	69,570
Accumulated amortization	(42)	(41,066)	(3,631)	(307)	—	(45,046)
Net book amount	<u>178</u>	<u>24,279</u>	<u>—</u>	<u>67</u>	<u>—</u>	<u>24,524</u>
As at June 30, 2014						
Opening net book amount	178	24,279	—	67	—	24,524
Additions	—	2,149	—	—	—	2,149
Amortization charge	(31)	(7,591)	—	(67)	—	(7,689)
Closing net book amount	<u>147</u>	<u>18,837</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>18,984</u>
As at June 30, 2014						
Cost	220	68,490	3,631	374	—	72,715
Accumulated amortization	(73)	(49,653)	(3,631)	(374)	—	(53,731)
Net book amount	<u>147</u>	<u>18,837</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>18,984</u>
As at June 30, 2015						
Opening net book amount	147	18,837	—	—	—	18,984
Addition	—	5,102	—	110	3,220	8,432
Effect of change in exchange rates	—	140	—	—	—	140
Amortization charge	(31)	(6,417)	—	(9)	—	(6,457)
Closing net book amount	<u>116</u>	<u>17,662</u>	<u>—</u>	<u>101</u>	<u>3,220</u>	<u>21,099</u>
As at June 30, 2015						
Cost	220	72,736	3,631	484	3,220	80,291
Accumulated amortization	(104)	(55,074)	(3,631)	(383)	—	(59,192)
Net book amount	<u>116</u>	<u>17,662</u>	<u>—</u>	<u>101</u>	<u>3,220</u>	<u>21,099</u>

During the fiscal years ended June 30, 2015 and 2014, the Group acquired additional software from independent third parties. As at June 30, 2015, no development costs have qualified for capitalization and have been expensed as incurred. As at June 30, 2015 and 2014, the remaining amortization period for software ranged from 1.3 to 6.0 years.

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill amounts are not amortized, but rather tested for impairment at least annually during the fourth quarter.

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Goodwill consisted of the following

	Goodwill
	<i>(US \$ in thousands)</i>
Balance as at July 1, 2013	1,724
Balance as at June 30, 2014	1,724
Additions	5,357
Effect of change in exchange rates	71
Balance as at June 30, 2015	7,152

There was no impairment of goodwill during the fiscal years ended 2015 or 2014

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 capitalization 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, and
- Terminal growth rate consistent with the long-term growth rate from the Consumer Price Index.

The Group performed its annual impairment and noted no impairment of goodwill as at June 30, 2015.

12 Business Combinations

During the fiscal year ended June 30, 2015, the Group acquired three companies for an aggregate of \$10.6 million in cash, net of cash acquired, and \$1.9 million of deferred consideration related to indemnification hold-backs, and has included the financial results of these companies in its consolidated financial statements from the date of each respective acquisition. The Group accounted for these transactions as business combinations. In allocating the purchase consideration based on estimated fair values, the Group recorded \$7.5 million of acquired intangible assets with useful lives of two to five years, which included \$4.3 million of software and \$3.2 million of in-process research and development that met the definition of an intangible asset under IAS 38, *Intangible Assets*, that will be amortized upon technical completion, \$5.4 million of goodwill, \$0.8 million of net tangible assets, including cash acquired, \$1.3 million of deferred tax assets and \$1.5 million of deferred tax liabilities.

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13. Other balance sheet accounts

Cash and cash equivalents

Total cash and cash equivalents are comprised of the following

	As at June 30,	
	2015	2014
	<i>(U S \$ in thousands)</i>	
Cash at bank and in hand	172,062	116,766
Short-term deposits	15,032	—
Total cash and cash equivalents	187,094	116,766

Other non-current assets

Other non-current assets consisted of the following

	As at June 30,	
	2015	2014
	<i>(U S \$ in thousands)</i>	
Security deposits	5,276	5,390
Other non-current assets	1,536	477
	6,812	5,867

Trade and Other Payables

Trade and other payables consisted of the following

	As at June 30,	
	2015	2014
	<i>(U S \$ in thousands)</i>	
Trade payables	10,598	4,437
Accrued expenses	14,915	10,490
Corporate bonus plan accrual	12,156	6,443
Retention bonus	2,243	4,882
Sales tax accrual	3,004	2,263
Operating lease payable	526	312
Current portion of contingent consideration	—	248
Deferred acquisition-related consideration	1,025	846
Other payables	8,169	8,448
	52,636	38,369

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Current Provisions

Current provisions consisted of the following

	As at June 30,	
	2015	2014
Employee benefits	\$ 3,314	\$ 2,622

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.

Non-current provisions

Non-current liabilities consisted of the following

	As at June 30,	
	2015	2014
	<i>(US \$ in thousands)</i>	
Employee benefits	617	549
Dilapidation provision	1,256	1,207
	1,873	1,756

The non-current provision for employee benefits includes long service leave as described above.

The dilapidation provision relates to certain lease arrangements for office space entered into by the Group. These lease arrangements require the Group to restore each premise to its original condition upon lease termination. Accordingly, the Group records a provision for the present value of the estimated future costs to retire long-lived assets at the expiration of these leases.

Other non-current liabilities

Other non-current liabilities consisted of the following

	As at June 30,	
	2015	2014
	<i>(US \$ in thousands)</i>	
Retention bonus	1,043	10
Deferred rent	4,346	1,535
Other non-current liabilities	1,438	22
	6,827	1,567

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14. Shareholders' equity

Share capital

	As at June 30,		As at June 30,	
	2015	2014	2015	2014
	(Number of Shares)		(US \$ in thousands)	
Details				
Class A ordinary shares	3,251,160	3,251,160	325	325
Class B ordinary shares	140,756,842	140,756,842	14,076	14,076
Series A preference shares	12,387,798	12,387,798	1,239	1,239
Series B preference shares	15,046,180	15,046,180	1,504	1,504
Restricted shares	13,163,778	10,460,992	1,317	1,046
	184,605,758	181,902,972	18,461	18,190

Movements in Class A ordinary share capital

	Number of Shares	Amount (US \$ in thousands)
Details		
Balance as at July 1, 2013	—	—
Conversion of Series B Preference	2,212,500	221
Conversion from Class B ordinary	1,038,660	104
Balance as at June 30, 2014	3,251,160	325
Balance as at June 30, 2015	3,251,160	325

Movements in Class B ordinary share capital

	Number of Shares	Amount (US \$ in thousands)
Details		
Balance as at July 1, 2013	140,748,000	14,075
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
Balance as at June 30, 2014	140,756,842	14,076
Balance as at June 30, 2015	140,756,842	14,076

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Movements in Series A preference share capital

	<u>Number of Shares</u>	<u>Amount</u> (US \$ in thousands)
Details		
Balance as at July 1, 2013	12,387,798	1,239
Balance as at June 30, 2014	<u>12,387,798</u>	<u>1,239</u>
Balance as at June 30, 2015	<u>12,387,798</u>	<u>1,239</u>

Movements in Series B preference share capital

	<u>Number of Shares</u>	<u>Amount</u> (US \$ in thousands)
Details		
Balance as at July 1, 2013	17,258,680	1,726
Conversion into Class A ordinary	(2,212,500)	(222)
Balance as at June 30, 2014	<u>15,046,180</u>	<u>1,504</u>
Balance as at June 30, 2015	<u>15,046,180</u>	<u>1,504</u>

Movements in restricted share capital

	<u>Number of Shares</u>	<u>Amount</u> (US \$ in thousands)
Details		
Balance as at July 1, 2013	4,874,063	487
Exercise of share options, net of early exercise activity	4,711,647	471
Vesting of share options that were early exercised	875,282	88
Balance as at June 30, 2014	<u>10,460,992</u>	<u>1,046</u>
Exercise of share options, net of early exercise activity	2,094,544	210
Vesting of share options that were early exercised	608,242	61
Balance as at June 30, 2015	<u>13,163,778</u>	<u>1,317</u>

Ordinary shares

Nominal value

Ordinary shares have a nominal value of \$0.10

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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 transfer of a Class B ordinary share to a person or entity that is not a permitted Class B ordinary share transferee as defined in the Company's articles of association, 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.

Preference shares

Nominal value

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

Conversion

As at June 30, 2015, 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 recapitalizations.

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 A ordinary share, and each Class B ordinary share will convert into one Class A ordinary share.

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

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is equal to at least two times the Conversion Price and (ii) the market capitalization of the Company immediately following the offering is at least \$500 million

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 right

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

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 reorganization, 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

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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

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 two ordinary shares of £2 each were redesignated as Class B ordinary shares and the nominal value redenominated in U.S. dollars (giving a nominal value of \$3.2828 each) on December 10, 2013. The redeemable shares were subsequently redeemed in cash on February 12, 2014, and the nominal value of the shares was transferred to capital redemption reserve.

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15. Reserves

Reserves comprise the following

	As at June 30,	
	2015	2014
	<i>(US \$ in thousands)</i>	
Reserves		
Share premium	5,744	2,677
Capital redemption reserve	98	98
Merger reserve	34,943	34,943
Share-based payment reserve	111,753	57,259
Foreign currency translation reserve	4,153	4,035
	156,691	99,012
Share premium		
Balance as at July 1,	2,677	—
Share options exercise	2,128	2,677
Early exercise vesting	939	—
Balance as at June 30,	5,744	2,677
Capital redemption reserve		
Balance as at July 1,	98	—
Redemption of redeemable shares	—	98
Balance as at June 30,	98	98
Merger reserve		
Balance as at July 1,	34,943	32,943
Share options exercise	—	1,056
Early exercise vesting	—	944
Share issuance	—	—
Balance as at June 30,	34,943	34,943
Share-based payments		
Balance as at July 1,	57,259	12,455
Issue of share options	—	910
Share-based payments	41,534	11,364
Tax benefit from share plans	12,960	32,530
Balance as at June 30,	111,753	57,259
Foreign currency translation		
Balance as at July 1,	4,035	4,010
Other comprehensive income	118	25
Balance as at June 30,	4,153	4,035

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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 Reorganization, the Group elected to take the merger relief exemptions within the United Kingdom's Companies Act 2006. The consolidated financial statements are therefore presented as if the Company 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 statements 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 recognized 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.

Foreign currency translation

Exchange differences arising on translation of foreign subsidiaries are recognized in other comprehensive income (loss) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the consolidated statements of operations when the net investment is disposed.

16. Dividends

During the fiscal year ended June 30, 2015, the Company did not pay any cash dividends. During the fiscal year ended June 30, 2014, the Company declared and paid a dividend of \$0.06 per each fully paid ordinary and preference share outstanding on November 20, 2013, which totalled \$10.0 million.

17. Earnings per share

Basic and diluted net income per share attributable to ordinary shareholders is presented in conformity with the two-class method required for participating shares. The Group considers its Series A preference shares and Series B preference shares to be participating securities. Net income attributable to ordinary shareholders is determined by allocating undistributed earnings, calculated as net income less current period dividends paid to preference shares, between ordinary shares and preference shares based on their respective dividend allocations. Basic

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earnings per share is computed by dividing the net income attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the fiscal period. Diluted earnings per share is computed by giving effect to all potential weighted-average dilutive shares. The dilutive effect of outstanding awards is reflected in diluted earnings per share by application of the treasury stock method.

A reconciliation of the calculation of basic and diluted earnings per share is as follows:

	Fiscal Year Ended	
	June 30,	
	2015	2014
	<i>(US \$ in thousands)</i>	
	<i>Other than per share amounts)</i>	
Numerator:		
Net income	6,775	18,982
Less: Dividends paid to preference shares	—	(1,740)
Less: Dividends paid to ordinary shares	—	(8,260)
Less: Allocation of undistributed earnings to preference shares and redeemable shares - basic	(1,084)	(1,536)
Undistributed net income attributable to ordinary shareholders – basic	5,691	7,446
Add: Reallocation of undistributed earnings to ordinary shares	9	18
Undistributed net income attributable to ordinary shareholders – diluted	5,700	7,464
Distributed earnings to ordinary shares	—	8,260
Denominator:		
Weighted-average ordinary shares outstanding – basic	144,008	141,530
Effect of potentially dilutive shares:		
Class B ordinary share options	1,492	2,072
Weighted-average ordinary shares outstanding – diluted	145,500	143,602
Net income per share attributable to ordinary shareholders:		
Distributed earnings - basic	0.00	0.06
Undistributed earnings - basic	0.04	0.05
Basic net income per share	0.04	0.11
Distributed earnings - diluted	0.00	0.06
Undistributed earnings - diluted	0.04	0.05
Diluted net income per share	0.04	0.11

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18 Commitments

Operating lease commitments

The Group leases various offices in locations such as Amsterdam, the Netherlands, San Francisco and Austin, United States, Sydney, Australia, Manila, the Philippines and Yokohama, Japan under non-cancellable operating leases expiring within one to seven years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The Group incurred rent expense on its operating leases of \$6.2 million and \$4.1 million during the fiscal years ended June 30, 2015 and 2014, respectively.

Additionally, the Group has contractual commitments for services with third-parties related to its data centers. These commitments are non-cancellable and expire within one to four years.

Commitments for minimum lease payments in relation to non-cancellable operating leases and purchase obligations in relation to our colocation data centers as at June 30, 2015 were as follows:

	Operating Leases	Contractual Commitments	Total
Fiscal Year Ending June 30,			
2016	7,850	6,578	14,428
2017 – 2020	21,259	11,616	32,875
Thereafter	4,007	—	4,007
Total minimum lease payments	33,116	18,194	51,310

19. Related party transactions

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:

Executive management

	Fiscal Year Ended June 30,	
	2015	2014
	<i>(US \$ in thousands)</i>	
Short-term compensation and benefits	2,135	2,367
Post-employment benefits	88	82
Share-based payments	3,940	2,575
	6,163	5,024

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Board of directors

	Fiscal Year Ended	
	June 30,	
	2015	2014
	<i>(US \$ in thousands)</i>	
Share-based payments	<u>170</u>	<u>363</u>

Early exercises of share options by key management personnel

During the fiscal year ended June 30, 2015, no board members and no executives early exercised share options. As at June 30, 2015, outstanding restricted shares included 505,859 shares subject to repurchase as they were early exercised and unvested. This amount has been recorded on the consolidated statement of financial position as a liability as at June 30, 2015. Amounts reclassified into contributed equity during the fiscal year ended June 30, 2015 as a result of the vesting of the early exercised shares was \$1.0 million.

Loans to key management personnel

The Company did not enter into any loan agreements with Directors of the Company or other and executives of the Group.

There were no other transactions with key management personnel during fiscal years ended June 30, 2015 or 2014.

20. Revenues by geographic region

The Group's revenues by geographic region based on the address of the end user who purchased products or services is as follows:

	Fiscal Year Ended	
	June 30,	
	2015	2014
	<i>(US \$ in thousands)</i>	
Americas	159,380	109,306
Europe	127,704	84,767
Asia Pacific	32,437	21,036
	<u>319,521</u>	<u>215,109</u>

Revenues from the United States totalled approximately \$141 million and \$97 million, for the fiscal years ended June 30, 2015 and 2014, respectively. Revenues from the United Kingdom totalled approximately \$27 million and \$17 million for the fiscal years ended June 30, 2015 and 2014, respectively.

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21. Share-based payments

Restricted share units

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

RSU grants generally vest 25% at a one year cliff and 1/16th on a quarterly basis thereafter

Prior to fiscal 2014, 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, as defined in the RSU Plan, 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.

The Group had 10,500,000 and 3,000,000 RSUs authorized for issuance under the RSU Plan as at June 30, 2015 and 2014, respectively. RSU activity was as follows:

	Shares Available for Grant	Restricted Share Units Outstanding
Balance as at June 30, 2013	—	—
Increase in authorized shares	3,000,000	—
Granted	(1,116,884)	1,116,884
Cancelled	13,492	(13,492)
Balance as at June 30, 2014	1,896,608	1,103,392
Increase in authorized shares	7,500,000	—
Granted	(9,201,359)	9,201,359
Cancelled	455,530	(455,530)
Balance as at June 30, 2015	650,779	9,849,221

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 shares. In December 2013, the Board of Directors approved the Atlassian Corporation Plc 2013 U.S. Share Option Plan and the Atlassian Corporation Plc UK Employee Share Option Plan (collectively, the "New Plans"), which also allowed for the issuance of options to purchase restricted shares. As part of the Reorganization, the New Plans replaced the Old Plans.

Options 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 1/48th monthly vesting for the 36 months thereafter. Options granted to the Directors and certain options granted to executives vest 1/48th monthly for 48 months with no initial cliff vest. Individuals must continue to provide

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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 restricted shares have been authorized for issuance under these plans as at June 30, 2015 and 2014, for both years.

Restricted share option activity was as follows:

	<u>Shares Available for Grant</u>	<u>Outstanding Share Options</u>	<u>Weighted- Average Exercise Price</u>
Balance as at June 30, 2013	<u>817,160</u>	<u>21,855,667</u>	<u>\$ 1.20</u>
Increase in authorized shares	4,886,373	—	—
Granted	(6,329,300)	6,329,300	3.14
Exercised	—	(5,812,104)	1.02
Cancelled	<u>1,624,049</u>	<u>(1,624,049)</u>	<u>2.01</u>
Balance as at June 30, 2014	<u>998,282</u>	<u>20,748,814</u>	<u>1.78</u>
Increase in authorized shares	—	—	—
Granted	(500,000)	500,000	14.67
Exercised	—	(2,111,211)	1.11
Cancelled	<u>2,204,139</u>	<u>(2,204,139)</u>	<u>2.46</u>
Balance as at June 30, 2015	<u>2,702,421</u>	<u>16,933,464</u>	<u>\$ 2.11</u>
Vested and exercisable as at June 30, 2014		8,960,904	\$ 1.00
Vested and exercisable as at June 30, 2015		10,714,451	\$ 1.24

The weighted average remaining contractual life for options outstanding as at June 30, 2015 and 2014, was 4.5 years and 5.4 years, respectively.

Options exercisable as at June 30, 2015 and 2014, had a weighted average remaining contractual life of approximately 3.4 years and 3.9 years, respectively.

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The following table summarizes information about restricted share options outstanding as at June 30, 2015

Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price	Weighted-Average Remaining Years
\$0.41 - \$0.62	6,254,512	\$ 0.48	6,030,495	\$ 0.48	2.36
\$1.43 - \$1.59	1,249,265	1.54	975,001	1.53	3.77
\$1.92 - \$2.16	2,475,439	2.06	1,530,714	2.05	4.39
\$2.40 - \$2.63	2,669,251	2.42	1,373,007	2.42	4.84
\$2.92 - \$3.18	3,784,997	3.14	805,234	3.10	6.31
\$14.67	500,000	14.67	—	—	—
	16,933,464	\$ 2.11	10,714,451	\$ 1.24	3.39

Class B ordinary share options

Class B ordinary share option activity was as follows

	Shares Available for Grant	Outstanding Share Options	Weighted-Average Exercise Price
Balance as at June 30, 2013	—	2,600,000	\$ 0.65
Exercised	—	(1,047,500)	0.64
Balance as at June 30, 2014	—	1,552,500	\$ 0.68
Exercised	—	—	—
Balance as at June 30, 2015	—	1,552,500	\$ 0.56

Options exercisable as at June 30, 2015 and 2014 had a weighted average remaining contractual life of approximately 2.8 years and 3.8 years, respectively. Class B ordinary share options were issued under the Old Plans and denominated in Australian dollars. The weighted-average exercise price decreased during the fiscal year ended June 30, 2015, reflecting an appreciation of the U.S. dollar as compared to the Australian dollar. The following table summarizes information about the Class B ordinary share options outstanding as at June 30, 2015

Options outstanding			Options exercisable		
Exercise prices	Number outstanding	Weighted-average exercise price	Number exercisable	Weighted-Average Exercise Price	Weighted-Average Remaining Years
\$0.24	302,500	\$ 0.24	302,500	\$ 0.24	2.36
0.63	1,250,000	0.63	1,250,000	0.63	2.92
	1,552,500	\$ 0.56	1,552,500	\$ 0.56	2.81

Atlassian Corporation Plc

Notes to Consolidated Financial Statements

Share-based payments

All share-based payments are measured based on the grant date fair value of the awards and recognized in the consolidated statements of operations 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)

Valuation of RSUs

As discussed above, the Group's RSUs contain a non-time based vesting condition. Per IFRS 2, *Share-based payment*, the fair value of the award at grant date must be reduced to reflect the impact of the non-time based 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 weighted-average grant date fair value of the RSUs issued for the fiscal years ended June 30, 2015 and 2014 was \$13.85 per share and \$11.70 per share, respectively.

Valuation of share 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 behavior.

Atlassian Corporation Plc

Notes to Consolidated Financial Statements

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:

	Fiscal Year Ended	
	June 30,	
	2015	2014
	<i>(US \$ in thousands)</i>	
Fair value of underlying shares	14.97	\$ 2.92 – 9.78
Exercise price	14.67	\$ 2.92 – 3.18
Expected volatility	41 %	39 – 43 %
Expected term (in years)	4.0	4.0 – 5.0
Risk-free interest rate	1.3 %	1.0 – 1.3 %
Dividend yield	– %	– %
Fair value per share option	\$ 5.13	\$ 1.05 – 6.96

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 June 30, 2015 included 505,859 shares subject to repurchase as they were early exercised and unvested. Early exercised options during the fiscal year ended June 30, 2015 had a weighted-average exercise price of \$2.19 per share with a corresponding grant date fair value of \$1.1 million. Amounts reclassified into contributed equity during the fiscal year ended June 30, 2015 as a result of the vesting of the early exercised shares totaled \$1.0 million.

Atlassian Corporation Plc

Notes to Consolidated Financial Statements

22. 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>2015</u>	<u>2014</u>
	<i>(U S \$ in thousands)</i>	
Audit of the consolidated financial statements	579	425
Tax compliance	42	52
Tax advisory	494	244
Other non-audit services	235	98
	<u>1,350</u>	<u>819</u>

23. Directors' remuneration

The Company does not provide cash compensation to its Directors in respect to services provided to the Company. In fiscal 2015, there were no Directors who received shares in respect of qualifying services and no Directors who exercised share options. In fiscal 2014, there were two Directors who received shares in respect of qualifying services and three Directors who exercised share options. Refer to Note 19, "Related party transactions," for additional detail of Directors compensation.

24. Events after the reporting period

On July 9, 2015, the Group extended its existing leases for office space in Sydney Australia (the "Lease Extensions"). The Lease Extensions extend the existing facilities leases from June 30, 2017 to June, 30 2020 and will be accounted for as operating leases. The minimum commitment under the Lease Extensions totals \$11.9 million over the three year term.

Atlassian Corporation Plc

Parent Company Financial Statements

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATLISSIAN CORPORATION PLC

We have audited the parent company financial statements of Atlassian Corporation Plc for the year ended June 30, 2015 which comprise Company Balance Sheet and the related notes 1 to 5. 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 2015,
- 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

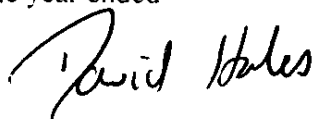
Matters on which we are required to report by exception

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

August 21, 2015

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

		As at June 30,	
	Notes	2015	2014
		(US \$ in thousands)	
Non-current assets			
Investment in subsidiary		66,550	25,018
Deferred offering costs		276	-
Total non-current assets		66,826	25,018
Current assets			
Cash and cash equivalents		7,842	-
Prepaid expenses		30	-
Debtors amounts falling due within one year			
Amount owed by group undertakings		2,545	9,090
Taxes receivable		10	-
Total current assets		10,427	9,090
Current liabilities			
Accounts payable		91	-
Amount owed to group undertakings		454	-
Share option early exercise liability		1,108	2,055
Accrued expenses		441	456
Total current liabilities		2,094	2,511
Net assets		75,159	31,597
Capital and reserves			
Share capital	4	18,461	18,190
Share premium	4	5,744	2,677
Capital redemption reserve	4	98	98
Merger reserve	4	425	425
Share-based payments reserve	4	48,793	7,259
Retained earnings	4	1,638	2,948
Total		75,159	31,597

On behalf of the Board of Directors



Michael Cannon-Brookes
Company Director

Atlassian Corporation Plc

Notes to Company Balance Sheet

1. Basis of preparation

The presented balance sheet of Atlassian Corporation Plc (“the Company”) has been prepared in accordance with UK generally accepted accounting practice (UK Accounting Standards and applicable law). The Company has elected to take the merger relief exemption under sections 612 and 615 of the Companies Act 2006. 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 (loss) for the parent company for the fiscal years ended June 30, 2015 and 2014 was (\$1.3) million and \$3.0 million, respectively.

As permitted by FRS 1 (Revised) Cash flow statements, the Company has not included a Cash flow statement as part of its financial statements because the Consolidated financial statements of the Group (of which the Company is a member) include a Cash flow statement and are publicly available.

The Company has taken advantage of the exemption available under FRS 8 Related Party Disclosures and not disclosed related party transactions with wholly owned subsidiary undertakings.

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 US 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

The expense for share-based payments is recognized in accordance with the accounting policy for the Consolidated financial statements of the Group and is recognized in the subsidiary companies employing the relevant employees. The Company recognizes the expense relating to the Executive Directors. The Company also records a corresponding increase in its investments.

Atlassian Corporation Plc

Notes to Company Balance Sheet

in subsidiaries with a credit to equity which is equivalent to the FRS 20 cost in the subsidiary undertakings

Taxation

Current tax including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognized in the financial statements

A deferred tax asset is regarded as recoverable and therefore recognized only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is recognized in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in the future has been entered into by the subsidiary or associate

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Dividends

Provision is made for any dividend declared, being appropriately authorized 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

Atlassian Corporation Plc
Notes to Company Balance Sheet

3 Investment in subsidiary

Carrying value	<i>(US \$ in thousands)</i>
At incorporation	–
Acquisition of subsidiary pursuant to a group reorganisation	17,759
Additions – share based payment	<u>7,259</u>
At 30 June 2014	<u>25,018</u>
Additions – share based payment	<u>41,534</u>
At June 30, 2015	<u>66,552</u>

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

Atlassian Corporation Plc

Notes to Company Balance Sheet

4. Share capital and retained earnings

	Share capital	Share premium	Capital redemption reserve	Merger reserve	Share-based payments reserve	Retained Earnings	Total Equity
Balance on incorporation at November 14, 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
	<u>18,190</u>	<u>2,677</u>	<u>98</u>	<u>425</u>	<u>7,259</u>	<u>(98)</u>	<u>28,551</u>
Balance as at June 30, 2014	18,190	2,677	98	425	7,259	2,948	31,597
Comprehensive income (loss) for the year							
Profit (loss) for the year	-	-	-	-	-	(1,310)	(1,310)
Total comprehensive income (loss) for the year	-	-	-	-	-	(1,310)	(1,310)
Transactions with owners in their capacity as owners							
Exercise of share options, net of early exercise	210	2,128	-	-	-	-	2,338
Vesting of early exercised shares	61	939	-	-	-	-	1,000
Share-based payment	-	-	-	-	41,534	-	41,534
	<u>271</u>	<u>3,067</u>	<u>-</u>	<u>-</u>	<u>41,534</u>	<u>-</u>	<u>44,872</u>
Balance as at June 30, 2015	18,461	5,744	98	425	48,793	1,638	75,159

Please also refer to Notes 14 and 15 of the consolidated financial statements. A full list of Group companies is included in the Group financial statements, Note 4.

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 June 30, 2015 included 505,859 shares subject to repurchase as they were early exercised and unvested. Early exercised options during the fiscal year ended June 30, 2015 had a weighted-average exercise price of \$2.19 per share with a corresponding grant date fair value of \$1.1 million. Amounts reclassified into contributed equity during the fiscal year ended June 30, 2015 as a result of the vesting of the early exercised shares totaled \$1.0 million.

For details of share-based payments, see Note 21 of the consolidated financial statements.