2016

Bulletproof Group Limited

Financial Report

for the year ended 30 June 2016

BULLETPROOF
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Directors' Report

The Directors of Bulletproof Group Limited ("Bulletproof") present their Report together with the financial statements of the consolidated entity for the financial year ended 30 June 2016.

Director Details

The following persons were Directors of Bulletproof during or since the end of the financial year up to the date of this report:

- Mr Stephe Wilks (resigned 24 September 2015)
- Mr David Paterson (appointed Chair 24 September 2015)
- Mr Anthony Woodward
- Mr Lorenzo Modesto

Particulars of each Director's experience and qualifications are set out later in this report.

Principal Activities

The principal activities of the consolidated group during the financial year were to provide end to end cloud services.

Our Business Model and Objectives

Bulletproof's mission is to simplify the world of cloud for business, enabling them to transform the way they operate using the power of the cloud. Bulletproof focuses on delivering customers' desired business outcomes as a reliable, secure solution that encompasses the right cloud technologies, billed and paid for as a service tied to consumption.
Engagement with customers can be anywhere in their lifecyle; considering the use of cloud, migrating to cloud, or already in the cloud but needing further help. An organisation may have different business units at all these stages of the cycle at the same time.

Bulletproof provides professional services to help solve the customer's business problem by advising on the right mix of cloud technologies, and then implementing them for the customer. We then provide ongoing support to those customers to ensure that their business systems that now reside in the cloud are reliable, secure and performant. Customers are typically billed up front for the professional services work, and then billed ongoing fees that cover the cost of the cloud(s) consumed and the value-added services that we add on top, such as support, backups, and cost optimisation. Over time, the consulting and implementation component has been rising in proportion to the overall spend, as customers invest in order to deliver the most efficient operating environment, with the maximum automation and cost efficiency, to their business.

Customers choose Bulletproof because we have 16 years' experience in providing reliable IT services, including hosting and cloud, to Australian businesses. We are recognised as leaders through our partnerships (such as our Premier Partnership with AWS, one of only two in the region), our market-leading service offerings (such as the first managed cloud service in 2006 and the first managed AWS service in 2012), our awards (such as the Frost and Sullivan Managed Cloud Provider of 2015), and our blue chip customer base including Qantas, Bluescope Steel, Crownbet, Xero and Genworth.

Operating Results

The profit for the year of the consolidated group was $1,771,855 (2015: $4,435,206) after providing for income tax. The underlying net profit after tax for the year was $827,480 (2015: $548,013), representing a 51.0% increase on the prior year. The underlying EBITDA for the period was $4,716,161 (2015: $4,184,095), representing a 12.7% increase on the prior year.

Underlying profit grew slower than revenue growth when compared with the FY15 period, with customers delaying some major professional services projects in the final quarter of the year. Resources related to these project were retained to commence work early in FY17, thereby reducing margins.

Sales revenue for the year was $47,219,049 (2015: $28,000,998), representing an increase of 68.6% on the preceding year. This overall pleasing result reinforces the Company's commanding position in the Cloud Services space, and is well above market growth trends of 25-30% annually.

For a breakdown of differences between reported and underlying profitability, please refer to reconciliation between non IFRS and IFRS financial information below.

Reconciliation between non IFRS and IFRS financial information	**30 June 2016 $**	**30 June 2015 $**
Profit for the year	1,771,855	4,435,206
(Gain) / loss on revaluation of financial liabilities	866,667	(1,229,394)
Write back of financial liabilities	(1,573,663)	(2,916,666)
Gain from a bargain purchase in business combination	(620,888)	-
Acquisition costs	537,308	-
Adjustment for income tax expense related to acquisition expenses	(153,799)	258,867
Underlying Profit for the year	827,480	548,013
Net Interest	87,821	151,605
Depreciation and amortisation expense	3,847,768	3,333,498
Current Tax Expense	23,793	59,100
Deferred Tax Expense / (Benefit)	(70,701)	91,879
Underlying EBITDA for the year	4,716,161	4,184,095

All components in the above reconciliation have been reviewed in accordance with Australian Auditing Standards.

Review of Operations

Financial year 2016 saw the company deliver record revenue growth to $47.2m, compared with $28m in FY15, a growth rate of 69%, 31% being organic growth. Since FY13, the company has grown revenues from $14.8m to $47.2m, following our stated strategy to build meaningful market share, invest in our talent and our capabilities, and pursue a straightforward model focused on responsible growth.

Underlying EBIT was relatively flat at $868k, impacted in part by some customer-side delays in project revenues adversely affecting profitability towards the end of the period, and a trend for some more advanced customers to reduce holistic managed services on their recurring cloud revenues as they seek specific value addition, which impacts recurring margins. The underlying net profit after tax of $827k, up from $548k, is a 51% increase on FY15.

Recurring revenues, representing private cloud services delivered from our platforms, and re-sold cloud services from external cloud providers like Amazon Web Services (AWS), combined with value added services such as management and support, grew 65% year on year. Bulletproof was awarded Frost and Sullivan's Managed Cloud Services provider of 2015, reflecting our market-leading service and capability.

The acquisition of Infoplex was completed in October 2015, and that business contributed $5.9m of private cloud revenues to the company. The team from that acquisition have been retained, with the GM of Infoplex now the GM of Business Development and Partners for Bulletproof, and the operations team merged with Bulletproof's pre-existing operations team. The newly merged private cloud offering is driving new business and renewals of existing customers, such as the recent three year renewal of cornerstone client Genworth, a top three customer for the group.

Having completed the acquisition of Pantha Corp in FY15, we consolidated our ability to provide services to customers through the consulting and delivery phases of their journey to cloud. With the acquisition of Cloud House in February 2016, our reach now extends to New Zealand. These two acquisitions added to organic activity to grow professional services revenues by 86% from FY15 (which also included six months' contribution from the Pantha Corp acquisition). The professional services function of the business is now centralised into the role of the COO, with the departure of the Director of Professional services at the end of June 2016.

The Cloud House acquisition gives Bulletproof an immediate presence as the only Premier Consulting partner for AWS in New Zealand, and brought on a number of high quality customers such as Xero.

Our Sydney presence was consolidated from three locations into a single new CBD office space, commencing in June 2016, and our Melbourne presence was also moved to a new CBD office premises.

Our product development activities saw a successful production deployment of our Sell Anywhere retail integration product into a major retailer, immediately boosting their sales with reach into alternative sales channels. We have now also completed the underlying platform that allows us to develop application-specific automated products. We are now focusing this capability internally to deliver customer implementations more efficiently from our Professional Services business. The product development function is now centralised into the role of the Sales and Marketing Director and CTO, with the departure of the Director of Product Development in June 2016.

Reflecting the market leading position the Company enjoys, the period saw Bulletproof increase its customer count to over 750, with blue chip wins such as Xero, Adairs and Genworth (via acquisition, recently renewed) among those added.

As customers move their focus towards delivering business outcomes such as agility, transformation and lowering IT operating costs, some seek specific value additions to their cloud services, rather than an all-encompassing traditional managed service. Reacting to this market trend, the Company continues to innovate next generation product and service solutions and provide superior customer value, delivered by its world class team. With the Company now the largest pure-play end to end cloud services player in Australia and New Zealand, a focus on consolidation of acquired assets, and ongoing product development to address changing market needs, Bulletproof is well placed to focus on sustainable and profitable revenue growth to deliver long term shareholder value.

Mr Lorenzo Modesto has been appointed Director of Strategy, to ensure delivery of the Company's strategic initiatives, commencing 1 September 2016.

Mr Mark Rainbird has been appointed as the new Chief Operating Officer (COO), commencing 1 September 2016. Mr Rainbird has an extensive background in CEO/COO roles in public technology services companies such as AWA, Austral Refrigeration, and Plessey Asia Pacific. He will focus on driving delivery of strategic profitability-aligned improvements across the business.

The company maintains a long-term focus and is confident that its strategy to lead the market with innovative offerings that meet changing customer demands, consolidating acquisitions and driving margins across the business, is the right one.

The company remains well positioned to leverage growth opportunities, and will continue to seek to optimise operational efficiencies, manage talent and deliver outstanding customer outcomes. We remain committed to building long-term value in the company for our shareholders, to continue to attract the best talent in the industry, and to serve our customers with award-winning excellence.

Significant Changes in State of Affairs

There are no significant changes in the state of affairs of the group, other than the acquisition of Infoplex Pty Ltd and the assets of Cloud House Limited as detailed in Note 20.

Dividends Paid or Recommended

In respect of the current year, no dividends have been declared or paid (2015: $nil).

Significant Events after the Reporting Date

There have been no other significant events arising after the reporting date.

Options

At the date of this report, the unissued ordinary shares of Bulletproof under option are as follows;

Grant Date	Date of expiry	Exercise Price	Number under option
23 January 2015	23 January 2017	20 cents	868,297
			868,297

Option holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity. There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period. For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

Meetings of Directors

Attendance by each director at meetings during the financial year were as follows:

	Directors' Meetings[1]		Audit and Risk Committee	
	A	B	A	B
Stephe Wilks	2+	2+	1+	1+
David Paterson	12	12	2	2
Anthony Woodward	12	12	2*	2*
Lorenzo Modesto	12	11	2*	2*

Column A is the number of meetings the Directors were entitled to attend.

Column B is the number of meetings Directors attended.

[1] Meetings of the Remuneration and Nominations Committee were held within the Director's Meetings.

* attended by invitation.

+ resigned 24 September 2015

Information relating to Directors and Company Secretary

David Paterson – Chairman and Non-executive Director

Began his career as a geologist and then spent 20 years in operational and management positions with 3 national stock broking and financial planning firms. David was a Member of ASX Ltd and brings experience in capital markets and finance to the company. David has been a director of several listed exploration and mining companies. He is currently a director of UraniumSA Limited and was Chairman of Spencer Resources Ltd prior to its acquisition of Bulletproof Networks.

Interests in Shares and Options: 698,000 ordinary shares
Directorships held in other listed entities: Currently Acting Chief Executive and Director of Uranium SA Limited
Special Responsibilities: Chair of Audit and Risk Committee

Anthony Woodward – CEO and Executive Director

BSc (Macq)

Co-founder and CTO of ZipWorld, an internet access provider successfully sold to Pacific Internet in 1999, and then CTO, Australia until 2000. Co-founded Bulletproof in 2000, and was involved in development of the business strategy, management and rapid growth trajectory. Instrumental in the reverse-listing of Bulletproof onto the ASX in 2014, and continues to drive and execute on strategy.

Interests in Shares and Options: 28,005,964 ordinary shares
Directorships held in other listed entities: None
Special responsibilities: Chief Executive Officer

Lorenzo Modesto – COO and Executive Director

Background in Sales and Marketing, co-founder of ZipWorld and responsible for growing product, promotion & sales at ~120% YoY until the company sale. Oversaw Pacific Internet's development of the first business ADSL service in Australia before co-founding Bulletproof. Development of major Bulletproof clients, marketing and PR programs, and service level programs. Appointed Executive Director of Bulletproof Group Limited in January 2014.

Interests in Shares and Options: 20,235,249 ordinary shares
Directorships held in other listed entities: None
Special responsibilities: Chief Operating Officer

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Kylie Turner - Secretary and CFO

Kylie Turner has a background in senior finance roles at various businesses including CFO at managed hosting provider, Hostworks, where she managed multiple aspects of finance, tax accounting, auditing and reporting. In April 2010, Kylie joined Bulletproof as CFO and Company Secretary; where she has established formal financial governance processes and improving key financial reporting and forecasting tools. Kylie has also been instrumental in the implementation of HR policies, regulatory reporting and compliance.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16 and forms part of this Directors' Report.

Remuneration Report (audited)

Remuneration policy

The remuneration policy of Bulletproof has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The board of Bulletproof believes the remuneration policy to be appropriate and effective in its ability to attract and retain the high-quality KMP to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated group is to have the remuneration policy developed by the Board after professional advice is sought, where appropriate, from independent external consultants. No external advice was sought for the current financial year.

- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.
- The Board reviews KMP packages annually by reference to the consolidated group's performance and the individual executive key performance indicators.

The performance of KMP is measured against criteria agreed biannually with each executive and is based predominantly on the forecasted growth of the consolidated group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options.

KMP receive, at a minimum, a superannuation guarantee contribution required by the government, which for the year ending 30 June 2016 was 9.50% of the individual's average weekly ordinary time earnings. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation. KMP do not receive any retirement benefits. All remuneration paid to KMP is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders.

Performance-based Remuneration

The KPIs are set annually, in consultation with KMP. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year. In determining whether or not a KPI has been achieved, Bulletproof bases the assessment on the Company's performance using audited figures.

Voting and Comments made at the Company's last Annual General Meeting

Bulletproof received 89% of 'yes' votes on its Remuneration Report for the financial year ended 30 June 2015. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting

Remuneration Expense Details

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated group:

Personnel	Year	Short-term benefits and Other payments		Post-employment benefits	Share-based payments	Total	Performance based % Percentage of remuneration
		Salary and fees	Cash bonus	Super	Shares		
Executive Directors							
Anthony Woodward	2016	312,226	-	19,307	-	331,533	-
Director & CEO	2015	252,250	-	17,650	-	269,900	-
Lorenzo Modesto	2016	300,608	-	20,181	-	320,789	-
Director and COO	2015	263,152	-	18,783	-	281,935	-
Stephe Wilks	2016	19,119	-	-	-	19,119	-
(resigned 24 Sep 2015)	2015	111,475	-	-	71,500	182,975	-
David Paterson	2016	67,047	-	-	-	67,047	-
Non-Executive Director	2015	42,061	-	-	-	42,061	-
Kylie Turner	2016	276,500	-	19,308	-	295,808	-
CFO & Secretary	2015	276,500	-	14,270	-	290,770	-
Mark Randall	2016	276,500	-	19,308	-	295,808	-
Director of Sales & Marketing	2015	276,500	-	18,783	-	295,283	-
John Ferlito	2016	276,500	-	19,308	-	295,808	-
CTO	2015	276,500	-	18,783	-	295,283	-
Gary Marshall	2016	220,687	-	19,304	-	239,991	-
Director of Managed Services	2015	220,103	-	18,845	11,000	249,948	-
Bjorn Schliebitz	2016	199,615	-	17,433	-	217,048	-
Director of Professional Services[1]	2015	82,500	-	7,838	1,000	91,338	-
Agnes Schliebitz-Ponthus	2016	199,615	-	17,433	-	217,048	-
Director of Product[1]	2015	82,500	-	7,838	1,000	91,338	-
2016 Total	**2016**	**2,148,417**	**-**	**151,581**	**-**	**2,299,998**	
2015 Total	**2015**	**1,883,541**	**-**	**122,790**	**84,500**	**2,090,831**	

[1] Employment ended 29 June 2016

Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2016 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

	Year ended 30 June 2016					
Personnel	**Balance at the start of the year**	**Received as part of remuneration**	**Other Changes**	**Acquired**	**Disposal**	**Held at the end of reporting period**
Anthony Woodward	23,961,115	-	5,571,849[1]	-	(1,527,000)	28,005,964
Lorenzo Modesto	18,748,522	-	4,359,727[1]	-	(2,873,000)	20,235,249
Stephe Wilks	275,000	-	-	-	(275,000)	-
David Paterson	628,000	-	-	70,000	-	698,000
Kylie Turner	1,493,695	-	391,007[1]	-	(250,000)	1,634,702
Mark Randall	2,658,114	-	664,712[1]	-	(275,000)	3,047,826
John Ferlito	6,379,424	-	1,446,726[1]	-	-	7,826,150
Gary Marshall	55,186	-	-	4,253	-	59,439
Bjorn Schliebitz	3,333	-	684,743[2]	-	-	688,076
Agnes Schliebitz-Ponthus	3,333	-	684,743[2]	-	-	688,076
Total	**54,205,722**	**-**	**13,803,507**	**74,253**	**(5,200,000)**	**62,883,482**

[1] Shares issued to the vendors of Bulletproof Networks Pty Limited upon conversion of Performance Shares as consideration for the acquisition by Bulletproof Group (formerly Spencer Resources).

[2] Shares issued to the vendors of Pantha Corporation in relation to earn out target milestone one and two being partially met.

Options and Rights Granted as Remuneration

No options or rights were granted to KMP as part of remuneration for the year ended 30 June 2016. No options have been forfeited or lapsed during the year.

Other Equity-related KMP Transactions

There were no other equity-related transactions with KMP as part of remuneration for the year ended 30 June 2016.

Loans to KMP

No loans have been made to KMP during, or since, the year ended 30 June 2016.

Other transactions with KMP or their related parties

There were no other transactions conducted between the Group and KMP or their related parties during, or since, the year ended 30 June 2016.

End of audited remuneration report

Environmental Issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Indemnifying Officers or Auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Rounding of Amounts

Bulletproof Group Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1

Anthony Woodward
Director
23 August 2016

Grant Thornton

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Auditor's Independence Declaration
To the Directors of Bulletproof Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Bulletproof Group Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 23 August 2016

Financial Statements

Bulletproof Group Limited

financial year ended 30 June 2016

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Consolidated statement of financial position

As at 30 June 2016

	Notes	30 June 2016 $	30 June 2015 $
Assets			
Current			
Cash and cash equivalents	9	4,663,816	3,363,339
Trade and other receivables	10	7,441,211	4,987,950
Current tax asset		-	149,138
Financial asset		-	25,830
Other current assets	11	2,167,123	821,145
Total current assets		14,272,150	9,347,402
Non-current			
Property, plant and equipment	12	8,628,745	4,826,517
Intangible assets	13	7,216,354	4,019,061
Goodwill	20	6,675,972	3,466,330
Deferred tax asset	14	1,898,199	1,380,683
Other non-current assets	15	461,215	37,125
Total non-current assets		24,880,485	13,729,716
Total assets		39,152,635	23,077,118
Liabilities			
Current			
Trade and other payables	16	8,139,721	5,238,943
Financial Liability		10,740	-
Current tax liability		9,951	-
Income received in advance		1,349,060	994,210
Provisions	17	975,087	470,072
Borrowings	18	1,351,326	1,245,778
Deferred consideration (Earn out payable)	31	2,926,610	2,763,384
Financial liabilities (Class B Performance Shares)	31	-	3,333,334
Total current liabilities		14,762,495	14,045,721
Non-current			
Provisions	17	264,507	166,073
Borrowings	18	1,620,598	1,012,244
Deferred tax liability	14	1,685,327	1,005,411
Total non-current liabilities		3,570,432	2,183,728
Total liabilities		18,332,927	16,229,449
Net assets	3.18	20,819,708	6,847,669

	Notes	30 June 2016 $	30 June 2015 $
Issued capital	24	25,016,018	12,853,925
Share option reserve	25	889,354	794,368
Other components of equity	26	(8,383,289)	(8,383,289)
Foreign currency translation reserve	27	(147,917)	(91,022)
Other reserves		-	279,406
Retained earnings		3,445,542	1,394,281
Total equity		20,819,708	6,847,669

The accompanying notes form part of these financial statements.

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

	Notes	30 June 2016 $	30 June 2015 $
Sales revenue	4	47,219,049	28,000,998
Other income	4	360,241	1,163,894
Bargain purchase in a business combination	20	620,888	-
Consumables used		(20,584,779)	(10,560,696)
Employee benefits expense		(15,811,884)	(10,505,798)
Depreciation and amortisation expense		(3,847,768)	(3,333,498)
Finance costs		(126,909)	(215,806)
Share based payments expense	26	(94,986)	(15,444)
Gain on revaluation of financial liabilities		706,997	4,146,060
Other expense		(6,869,701)	(3,834,658)
Profit before tax		1,571,148	4,845,052
Income tax benefit / (expense)	6	200,707	(409,846)
Profit for the year		1,771,855	4,435,206
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(56,895)	(55,312)
Other comprehensive income for the year, net of income tax		(56,895)	(55,312)
Total comprehensive income for the year		1,714,960	4,379,894
Earnings per share from continuing operations		**Cents**	**Cents**
- Basic earnings per share	23	1.21	4.23
- Diluted earnings per share	23	1.19	4.13

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2016

	Issued capital	Share option reserve	Other components of equity	Foreign currency translation reserve	Other reserves	Retained earnings	Total
	$	$	$	$	$	$	$
Balance at 1 July 2015	**12,853,925**	**794,368**	**(8,383,289)**	**(91,022)**	**279,406**	**1,394,281**	**6,847,669**
Issue of share capital	12,370,519	94,986	-	-	-	-	12,465,505
Capital raising costs	(208,426)	-	-	-	-	-	(208,426)
Transactions with owners	12,162,093	94,986	-	-	-	-	12,257,079
Profit for the period	-	-	-	-		1,771,855	1,771,855
Other comprehensive income	-	-	-	(56,895)	-	-	(56,895)
Total comprehensive income for the period	-	-	-	(56,895)	-	1,771,855	1,714,960
Transfer of reserves	- -	-	-	-	(279,406)	279,406	-
Balance at 30 June 2016	25,016,018	889,354	(8,383,289)	(147,917)	-	3,445,542	20,819,708

For the year ended 30 June 2015

	Issued capital	Share option reserve	Other components of equity	Foreign currency translation reserve	Other reserves	Retained earnings	Total
	$	$	$	$	$	$	$
Balance at 1 July 2014	7,227,313	778,924	(8,383,289)	(35,710)	279,406	(3,040,925)	**(3,174,281)**
Issue of share capital	5,924,630	15,444	-	-	-	-	5,940,074
Capital raising costs	(298,018)	-	-	-	-	-	(298,018)
Transactions with owners	5,626,612	15,444	-	-	-	-	5,642,056
Loss for the period	-	-	-	-	-	4,435,206	4,435,206
Other comprehensive income	-	-	-	(55,312)	-	-	(55,312)
Total comprehensive income for the period	-	-	-	(55,312)	-	4,435,206	4,379,894
Balance at 30 June 2015	12,853,925	794,368	(8,383,289)	(91,022)	279,406	1,394,281	6,847,669

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2016

	Notes	30 June 2016	30 June 2015
Cash flows from operating activities		**$**	**$**
Receipts from customers		48,350,506	26,903,130
Payments to suppliers and employees		(43,373,930)	(24,658,735)
Income taxes paid		150,730	374,127
Net cash provided by operating activities	28	5,127,306	2,618,522
Cash flows from investing activities			
Purchase of intangibles		(3,854,515)	(3,482,255)
Purchase of property, plant and equipment		(942,924)	(258,289)
Acquisition of business, net of cash	20	(4,460,321)	(700,084)
Acquisition of business, earn out milestone	31	(462,669)	-
Interest received		33,512	55,257
Net cash used in investing activities		(9,686,917)	(4,385,371)
Cash flows from financing activities			
Proceeds from the issue of capital		7,650,359	5,853,130
Transaction costs		(297,751)	(283,728)
Repayment of finance lease		(1,371,762)	(2,484,540)
Interest paid		(120,758)	(197,578)
Net cash provided by financing activities		5,860,088	2,887,284
Net change in cash and cash equivalents held		1,300,477	1,120,435
Cash and cash equivalents at beginning of the period		3,363,339	2,242,904
Cash and cash equivalents at end of the period	9	4,663,816	3,363,339

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

Bulletproof Group Limited

financial year ended 30 June 2016

BULLETPROOF
MISSION CRITICAL CLOUD

1. General information and statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Bulletproof Group Limited is a for-profit entity for the purpose of preparing the financial statements.

Bulletproof Group Limited is the Group's Ultimate Parent Company. Bulletproof Group Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Level 17, 60 Margaret Street, Sydney NSW 2000

The consolidated financial statements for the year ended 30 June 2016 were approved and authorised for issue by the Board of Directors on 23 August 2016.

2. Changes in Accounting Policies

The Group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations most relevant to the consolidated entity are set out below.

AASB 9 Financial Instruments (December 2014)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

(a) Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.
(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
(c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

(d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

(e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI')
- the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018. Management's assessment of these amendments is that they will have no material impact on the Group's transactions or balances recognised in the financial statements.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

AASB 15 is applicable to annual reporting periods beginning on or after 1 January 2018. With respect to the existing Bulletproof business, our initial assessment is that there should be no material impact on the Group's financial position or performance as revenue is currently recognised through the Statement of Profit or Loss and Other Comprehensive Income as and when it is earned. With respect to the newly acquired business, management are still assessing the full impact of the application of this standard, particularly where revenue relates to both the sale of goods and the provision of related services, to ensure that revenue is appropriately allocated to the components and recognised accordingly.

AASB16 Leases

Australian Accounting Standard AASB 16, Leases, was issued in February 2016 and is effective for periods beginning on or after 1 January 2019

- replaces AASB 117 Leases and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

These amendments will be first adopted for the year ending 30 June 2020, and are expected to have no material impact on the Group's financial position or performance. These amendments are applicable to annual reporting periods beginning on or after 1 January 2019, and are expected to have no material impact on the Group's financial position or performance.

3. Significant Accounting Policies

3.1 Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of Bulletproof Group and all of its subsidiaries. Subsidiaries are entities the Parent controls. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 21.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as 'Non-controlling Interests'. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

Business Combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquire, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:
(i) the consideration transferred;
(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
(iii) the acquisition date fair value of any previously held equity interest;
over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value re-measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Refer to Note 20 for details on the goodwill recognised as a result of the business combination.
Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

3.2 Foreign Currency Translation

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the parent company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from their measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AUD are translated into AUD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Income and expenses have been translated into AUD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

3.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services – Cloud Services

Revenue is recognised where the contract outcome can be reliably measured, control of the right to be compensated for the services has been attained and the stage of completion can be reliably measured. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred. Specifically, cloud services revenue is accrued based on agreed monthly service rates and/or actual customer usage.

Rendering of services – Consulting

Customers may be billed upfront or in arrears for project and implementation fees. Revenue is recognised by reference to the percentage of completion method. The percentage of completion is determined by reference to the extent of services performed to date on the agreement as a percentage of the total services to be performed under the agreement. Revenue is recognised in the financial period in which services are rendered.

Interest Income

Interest income and expenses are reported on an accrual basis using the effective interest method.

3.4 Operating Expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

3.5 Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

3.6 Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss ("FVTPL"), which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and financial instruments.
Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

The Group has designated some financial liabilities at FVTPL, relating to the reverse acquisition contingent consideration. As part of the acquisition consideration, the company issued 25,000,000 unlisted Class B Performance Shares. These convert into a variable number of ordinary shares, subject to meeting certain EBITDA thresholds for the year ended 30 June 2015. As a result of the conversion into ordinary shares being variable, this has been treated as a financial liability held at FVTPL, rather than as equity issued in connection with the acquisition. Upon acquisition, a financial liability has been recognised, with the opposite side being shown as a distribution from the consolidated group to the accounting acquirer's shareholders at the acquisition date, within equity.

Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of profit or loss and other comprehensive income.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.
With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in the financial assets reserve in other comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

3.7 Other Intangible Assets

Internally developed software

Expenditure on the research phase of projects to develop new customised software for IT and billing systems is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the software;
- the software will generate probable future economic benefits; and
- development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include external consultants costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

Amazon Web Services Reserved Instances

The group derives revenue from hosting customers on Amazon Web Services (AWS) public cloud Infrastructure.
Up until 30 June 2015, the Group purchased AWS Reserved Instances (RIs) whereby compute power is purchased on a pre-commit basis for 36 months, and these were included within intangible assets. From 1 July 2015 all Reserved Instance purchases have been made on a 12 month commitment basis and therefore treated as deferred expense through the operating expenses.

Products

As part of the acquisition of Pantha Corporation, the group has committed to the development of products which are expected to bring substantial economic benefits over the next 12 to 36 months. Costs relating to the development of the products have been capitalised in accordance with AASB 138.

Subsequent measurement

All intangible assets, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

The following useful lives are applied:
Software: 3-5 years
AWS RIs: 3 years
Products: 2-3 years

Amortisation has been included within depreciation and amortisation. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

3.8 Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of profit or loss and other comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and other comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Building improvements	20%
Office furniture and equipment	20 – 33%
Plant and equipment	20 – 25%

3.9 Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. 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 for which the estimates of future cash flows have not been adjusted. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3.10 Leased Assets

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.11 Income Tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.
Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(benefit) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss. Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

3.12 Employee Benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

3.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short- term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.14 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale. All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

3.15 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

3.16 Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

3.17 Significant Management Accounting Estimates and Judgements

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key areas in which critical estimates are applied are described below:

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Employee benefits

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at reporting date:

- Future increases in wages and salaries
- Future on-cost rates and
- Experience of employee departures and period of service

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see Note 3.7).

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 3.9).

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see Note 20).

Fair value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note31).

3.18 Going Concern Basis of Accounting

Notwithstanding the fact that the Group had net current liabilities of $490,345 at 30 June 2016, the Directors are of the opinion that there exist reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due. The Group is profitable overall; generating an underlying net profit of $827,480 with sales revenue increasing by 68.6% to $47,219,049 and net cash provided by operating activities of $5,141,426. Consequently the financial statements have been prepared on a going concern basis.

Reconciliation between non IFRS and IFRS financial information	**30 June 2016 $**
Profit for the year	1,771,855
(Gain) / loss on revaluation of financial liabilities	866,667
Write back of financial liabilities	(1,573,663)
Gain from a bargain purchase in business combination	(620,888)
Acquisition costs	537,308
Adjustment for income tax expense related to acquisition expenses	(153,799)
Underlying Profit for the year	827,480

3.19 Rounding of Amounts

The Parent Entity has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest $1.

4. Revenue

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Sales Revenue	47,219,049	28,000,998
Other Income		
Currency gains	-	271,462
Other income	14,713	-
Government grant	306,440	828,230
Interest income	39,088	64,202
	360,241	1,163,894

5. Expenses

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Employee salary and wages	11,254,608	7,962,600
Employee superannuation	1,541,527	859,890
Share based payment expense	94,986	15,444
Depreciation and amortisation	3,847,768	3,333,498
Finance costs	126,909	215,806
Rental expense on operating leases	702,814	484,218

6. Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of the Company at -12.62% (2015: 8.46%) and the reported tax expense in profit or loss are as follows:

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Profit before tax	1,571,148	4,845,052
Domestic tax rate	30%	30%
Expected tax expense	471,344	1,453,516
Adjustment for tax-rate differences in foreign jurisdictions	(105,597)	(69,422)
Adjustments:		
- Non-assessable income (gain on bargain purchase)	(186,266)	-
- Non-deductible expenditure on revaluation of liabilities	(133,852)	43,682
- Non-assessable income on revaluation of liabilities	(78,247)	(1,287,500)
- Non-assessable income	(91,932)	-
- Research & Development Tax Incentive expenditure	(240,889)	60,371
- Other Non-deductible expenses	113,558	37,933
- Share based payment expense	28,496	4,633
- Under/over provision in relation to prior years	22,678	304,590
- Deductible employee provisions and costs	-	(137,597)
Actual tax expense / (benefit)	(200,707)	409,846

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Tax expense comprises:		
Current tax expense	23,793	59,100
Deferred tax expense/(income):		
- Origination or reversal of temporary differences	(224,500)	350,746
Tax expense / (benefit)	(200,707)	409,846

7. Franking Credits

	Parent	
	30 June 2016	30 June 2015
	$	$
The amount of the franking credits available for subsequent reporting periods are:		
Balance at the end of the reporting period	(330,772)	(374,113)
Balancing payment/(refunded) for lodged ITR	-	43,341
	(330,772)	**(330,772)**

8. Auditors' Remuneration

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Grant Thornton Audit Pty Ltd audit services		
- Audit of the financial report	109,170	84,702
Total auditors' remuneration	**109,170**	**84,702**

9. Cash and Cash Equivalents

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Cash at bank and in hand:		
- AUD	2,721,612	1,990,469
- USD	784,757	115,867
- NZD	156,805	-
Short term deposits (AUD)	1,000,642	1,257,003
Cash and cash equivalents	**4,663,816**	**3,363,339**

10. Trade and Other Receivables

	Consolidated	
	30 June 2016	30 June 2015
Current	$	$
Trade receivables	4,107,283	3,760,451
Allowance for impairment of receivables	(68,933)	(52,840)
	4,038,350	**3,707,611**

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Accrued income	3,402,861	1,253,342
GST receivable	-	26,997
Total trade and other receivables	**7,441,211**	**4,987,950**

The carrying value of short term receivables is considered a reasonable approximation to fair value. All of the trade and other receivables have been reviewed for indicators of impairment, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	Within trade terms	Past due but not impaired (days overdue)			Past due and impaired	Gross amount
		< 30	30-60	>60		
2016						
Trade receivables	2,602,567	872,452	143,461	419,870	68,933	4,107,283
2015						
Trade receivables	1,825,478	1,207,238	295,564	379,331	52,840	3,760,451

11. Other Current Assets

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Prepayments	2,027,738	669,875
Deposits	133,676	147,166
Other	5,709	4,104
	2,167,123	821,145

12. Property, Plant and Equipment

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Building improvements		
At cost	-	112,318
Accumulated depreciation	-	(77,932)
	-	34,386
Office furniture and equipment		
At cost	637,058	172,812
Accumulated depreciation	(133,143)	(51,100)
	503,915	121,712

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Plant and equipment		
At cost	3,436,257	2,823,347
Acquired in a business combination	3,883,484	-
At cost - transferred in	1,741,620	2,694,566
Accumulated depreciation	(2,814,183)	(1,713,077)
Accumulated depreciation - transferred in	(1,176,888)	(1,901,078)
	5,070,290	1,903,758
Plant and equipment under lease		
At cost	10,192,725	8,924,950
At cost - transferred out	(1,741,620)	(2,694,566)
Accumulated depreciation	(6,573,453)	(5,364,800)
Accumulated depreciation - transferred out	1,176,888	1,901,078
	3,054,540	2,766,661
	8,628,745	4,826,517

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	$	$	$	$	$
Balance at 1 July 2014	56,850	47,953	1,291,587	4,048,376	5,444,766
Additions	-	95,895	328,627	1,205,238	1,629,760
Transferred in/out	-	-	2,694,566	(2,694,566)	-
Depreciation expense	(22,464)	(22,136)	(509,944)	(1,693,465)	(2,248,009)
Depreciation - transferred in/out	-	-	(1,901,078)	1,901,078	-
Balance at 30 June 2015	34,386	121,712	1,903,758	2,766,661	4,826,517
Additions	-	505,703	51,400	1,809,723	2,366,826
Acquired in a business combination	-	-	3,883,484	-	3,883,484
Transferred in/out	-	-	1,741,620	(1,741,620)	-
Depreciation expense	(34,386)	(123,500)	(1,333,084)	(957,112)	(2,448,082)
Depreciation - transferred in/out	-	-	(1,176,888)	1,176,888	-
Carrying amount at 30 June 2016	-	503,915	5,070,290	3,054,540	8,628,745

13. Intangible Assets

	Consolidated	
	30 June 2016	30 June 2015
Computer Software	$	$
At cost	1,429,934	1,060,275
Accumulated amortisation	(505,392)	(406,660)
	924,542	653,615
Product Development		
At cost	3,551,195	832,578
Accumulated amortisation	(13,254)	(252,252)
	3,537,941	580,326
Amazon Web Services Reserved Instances (AWS RI)		
At cost	3,623,524	3,623,524
Accumulated amortisation	(2,047,772)	(861,411)
	1,575,752	2,762,113
Customers and Brands		
At cost	1,256,451	-
Accumulated amortisation	(101,339)	-
	1,155,112	-
Domain name		
At cost	23,007	23,007
	23,007	23,007
	7,216,354	4,019,061

Movements in Carrying Amounts

Movement in the carrying amounts for each class of intangible asset between the beginning and the end of the current financial year.

	Computer Software $	Product Development $	AWS RI $	Customers and Brands $	Domain Name $	Total $
Balance at 1 July 2014	433,956	-	878,066	-	23,007	1,335,029
Additions	352,054	832,578	2,584,889	-	-	3,769,521
Amortisation expense	(132,395)	(252,252)	(700,842)	-	-	(1,085,489)
Balance at 30 June 2015	653,615	580,326	2,762,113	-	23,007	4,019,061
Additions	369,659	2,970,869	-	1,256,451	-	4,596,979
Amortisation expense	(98,732)	(13,254)	(1,186,361)	(101,339)	-	(1,399,686)
Carrying amount at 30 June 2016	924,542	3,537,941	1,575,752	1,155,112	23,007	7,216,354

14. Deferred tax assets and liabilities

2016

Deferred tax liabilities / (assets)	1 July 2015	Recognised in income	Recognised in equity/other	30 June 2016
Non-current assets	$	$	$	$
Provisions	191,493	106,598	70,859	368,950
Accruals	52,421	(14,767)	(35)	37,619
Trade and other receivables	15,852	-	-	15,852
Unused tax losses	594,683	424,229	41,617	1,060,529
Unused R&D tax credits	411,787	(153,855)	-	257,932
Other timing differences	114,447	(46,455)	89,325	157,317
	1,380,683	315,750	201,766	1,898,199
Non-current liabilities				
Other timing differences	(6,791)	(22,013)	(36,997)	(65,801)
Property, plant & equipment	(915,222)	395,746	-	(519,476)
Intangible assets	-	6,264	(540,807)	(534,543)
Capitalised wages	-	(492,838)	-	(492,838)
Foreign exchange	(83,398)	21,591	(10,862)	(72,669)
	(1,005,411)	(91,250)	(588,666)	(1,685,327)
Net deferred tax asset/(deferred tax liability)	375,272	224,500	(386,900)	212,872

2015

Deferred tax liabilities / (assets)	1 July 2014	Recognised in income	Recognised in equity/other	30 June 2015
Non-current assets	$	$	$	$
Provisions	90,316	101,068	109	191,493
Accruals	11,737	40,611	73	52,421
Trade and other receivables	4,163	11,689	-	15,852
Property, plant & equipment	(182,220)	182,220	-	-
Unused tax losses	319,375	266,824	8,484	594,683
Unused R&D tax credits	-	-	411,787	411,787
Other timing differences	54,877	59,570	-	114,447
	298,248	661,982	73	1,380,683
Non-current liabilities				
Other timing differences	(184)	(6,607)	-	(6,791)
Property, plant & equipment	-	(919,001)	3,779	(915,222)
Foreign exchange	-	(87,120)	3,722	(83,398)
	(184)	(1,012,728)	7,501	(1,005,411)
Net deferred tax asset/(deferred tax liability)	298,064	(350,746)	7,574	375,272

15. Other Non-Current Assets

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Deposits paid	461,215	37,125

16. Trade and Other Payables

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Trade creditors	5,888,014	3,995,468
Accrued expenses	1,391,634	889,495
GST liability	275,034	166,261
Payroll liabilities	585,039	187,719
Total trade and other payables	**8,139,721**	**5,238,943**

17. Provisions

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Current		
Annual leave	932,257	452,498
Long service leave	42,830	17,574
	975,087	470,072
Non-Current		
Long service leave	264,507	166,073
Total provisions	1,239,594	636,145

(a) Provision for employee benefits

A provision has been recognised for employee entitlements relating to annual and long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 3.12.

	Annual Leave	Long Service Leave
	$	$
Carrying amount 1 July 2015	**452,498**	**183,647**
Additional provisions	1,350,548	123,690
Amount utilised	(870,789)	-
Carrying amount 30 June 2016	**932,257**	**307,337**

18. Borrowings

	Consolidated	
Current	**30 June 2016**	**30 June 2015**
	$	**$**
Lease liability	1,351,326	1,245,778
Total current borrowings	1,351,326	1,245,778
Non-Current		
Lease liability	1,620,598	1,012,244
Total current borrowings	1,620,598	1,012,244
Total borrowings	**2,971,924**	**2,258,022**

19. Leases

19.1 Finance leases as lessee

The majority of the Group's IT equipment is held under finance lease arrangements. As of 30 June 2016, the net carrying amount of IT equipment held under finance lease arrangements is $4,035,806 (2015: $2,766,661) (see Note 12).

The Group's finance lease liabilities, which are secured by the related assets held under finance leases, are classified in Note 18. Future minimum finance lease payments at the end of each reporting period under review were as follows:

	Minimum Lease Payments Due			
	Due <1 yr	**Due 1-5yrs**	**Due >5yrs**	**Total**
	$	**$**	**$**	**$**
30 June 2016				
Lease payments	1,495,614	1,727,148	-	3,222,762
Finance charges	(144,288)	(106,550)	-	(250,838)
Net present values	1,351,326	1,620,598	-	2,971,924
30 June 2015				
Lease payments	1,341,129	1,060,621	-	2,401,750
Finance charges	(95,351)	(48,377)	-	(143,728)
Net present values	1,245,778	1,012,244	-	2,258,022

19.2 Operating leases as lessee

The operating lease commitments relate to non-cancellable premises leases entered for the Rosebery office and Melbourne office. No liabilities have been recognised in relation to these operating leases.

	Minimum Lease Payments Due			
	Due <1 yr	**Due 1-5yrs**	**Due >5yrs**	**Total**
	$	**$**	**$**	**$**
30 June 2016	1,300,015	4,873,710	-	6,173,725
30 June 2015	270,518	290,838	-	561,356

20. Business Combination

Infoplex Pty Ltd

On 8 October 2015, Bulletproof acquired 100% of the issued share capital of Infoplex Pty Ltd, a leading Managed Private Cloud company that utilises third party data centres in Sydney and Melbourne. Infoplex, which was part of the Nextgen Group, manages and hosts blue chip customers' private cloud requirements for core enterprise applications.

The acquisition provides Bulletproof with additional, market leading, private cloud capacity and capability that not only expands the current offering, but also presents a clear opportunity to the Company to acquire more enterprise customers.

Details of the business combination are as follows;

Purchase Consideration Infoplex Pty Ltd	**$**
Cash	3,300,000
Deferred Payment (paid 29 January 2016)	250,000
Total Consideration	3,550,000
Fair value of assets acquired	
Property, plant and equipment	3,883,484
Intangible assets	625,322
Total non-current assets	4,508,806
Trade and other receivables	433,120
Cash and cash equivalents	33,280
Deferred tax asset	114,597
Total current assets	580,997
Provisions	(19,115)
Deferred tax liabilities	(393,622)
Total non-current liabilities	(412,737)
Provisions	(217,218)
Trade and other payables	(288,960)
Total current liabilities	(506,178)
Identifiable net assets	**4,170,888**
Goodwill (Bargain Purchase) on acquisition	**(620,888)**

Consideration transferred

Acquisition-related costs amounting to $410,246 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of other expenses. Deferred payment of $250,000 was paid to Nextgen Group on 29 January 2016.

Fair value of the assets and liabilities acquired

The consideration for the acquisition has been apportioned against the fair value of the assets and liabilities acquired. With pro-forma net assets at completion date of $4.4m, management made an assessment of the fair market value of the underlying net assets of Infoplex which resulted in the identifiable assets and liabilities at the acquisition date exceeding the

sum of the consideration transferred; therefore the excess amount has been recognised in other income as a bargain purchase gain and is not deductible for tax purposes.

This acquisition was provisionally accounted for as at 31 December 2015, and this has since been finalised.

Contribution to the Group results

Infoplex has contributed $5,858,337 and $659,396 to the Group's revenues and net profits respectively from the acquisition date. Had the acquisition taken place on 1 July 2015, the Group's revenue for the year to 30 June 2016 is estimated to have been $48,390,716 and the Group's net profit is estimated to have been $1,903,734. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments had applied from 1 July 2015, together with the consequential tax effects.

Cloud House Limited

On 15 February 2016, Bulletproof acquired the business assets of Cloud House Limited, the leading Cloud Services Company in New Zealand, with offices in Auckland and Wellington. New Zealand's largest AWS Advanced Consulting partner, Cloud House provides consulting, billing and managed services for its customers on their journey to the cloud.

Bulletproof is expected to benefit from consolidated buying of key capacity and licensing from suppliers that Bulletproof and Cloud House share, along with Bulletproof's AWS Premier Partner benefits being made available to Cloud House customers. Innovation in managed Cloud and Application services that the Cloud House team have developed will be merged with Bulletproof's existing comprehensive end to end Cloud Services offering.

Purchase Consideration

As consideration for the assets of Cloud House, Bulletproof issued the following:

	$
Initial cash consideration	943,601
Fair value of contingent consideration	2,698,025
Total Consideration	3,641,626

The total consideration payable is based on a valuation performed by Bulletproof (using an EBITDA multiple) at the time of acquisition, representing the earnings potential of the business. As such the initial cash payment of NZ$1,000,000 was made, with the remaining NZ$2,859,285 (earn out) to be paid if certain targets are met by 30 June 2017.

Acquisition-related costs amounting to $127,062 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of other expenses.

Fair value of the earn out

Under the principles of AASB 3: Business Combinations, contingent consideration is recognised at its fair value as part of the consideration transferred in exchange for the acquiree. The initial measurement of the fair value of contingent consideration is based on an assessment of the facts and circumstances that exist at the acquisition date.

The earn out payable is calculated via a mechanism in the agreement based on revenue targets. The purchase consideration noted above is estimated on the following assumptions;

- Revenue growth having regard to the financial model prepared by management as part of the due diligence process
- In order to discount these payments to present value, a discount rate of 22.5% has been applied for the business as a whole. We consider this adequately reflects the risks associated with achieving the revenue growth targets (as well as the composition) and the uncertainty in respect of the future share price of Bulletproof.

The earn-outs are subject to a 50:50 mix of cash and Bulletproof shares. Referring to the NZD:AUD exchange rate as determined by the Reserve Bank of Australia as at 12 February 2016, of 1.065 and the 30 day VWAP price in the Company's shares of 49c, this equates to a potential issue of up to 4,062,337 shares in the Company to the vendors. The earn out is assessed and payable at each of three dates: 30 June 2016 (none payable), 31 December 2016 and 30 June 2017.

At each reporting date, the remaining earn out payable will be revalued to fair value, based on the most recent information available to management regarding targets being met. Any adjustment to the earn out would be recorded against the Consolidated statement of profit or loss and other comprehensive income.

Management confirms that the discounted cash flow analysis conducted provide cash flow projections well above the carrying amount of the Goodwill and has determined no impairment of the Goodwill is required. Management also believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the business to exceed its recoverable amount.

Fair value of the assets and liabilities acquired

	$
Intangible assets	632,159
Employee provisions	(21,514)
Deferred tax liabilities	(178,661)
Identifiable net assets	431,984
Total goodwill acquired	3,209,642

The value of the Goodwill related to acquisition amounts to $3,209,642 as at 30 June 2016. Goodwill represents the earnings potential of the business, customer relationships and the key employees and cements Bulletproof's position in the region as the largest AWS Partner. The acquisition will bring new cross-Tasman enterprise customers to the Company, while tapping into a market that is leading the region's cloud adoption rates.

The consideration for the acquisition has been apportioned against the fair value of the assets and liabilities acquired. The fair value of identifiable assets and liabilities at the acquisition date exceeds the sum of the consideration transferred; therefore the excess amount has been recognised in other income as a bargain purchase gain and is not deductible for tax purposes. This acquisition has been provisionally accounted for as at 30 June 2016.

Contribution to the Group results

Cloud House has contributed $1,151,783 and $44,186 to the Group's revenues and net profits respectively from the acquisition date. Had the acquisition taken place on 1 July 2015, the Group's revenue for the year to 30 June 2016 is estimated to have been $49,138,688 and the Group's net profit is estimated to have been $1,845,497. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments had applied from 1 July 2015, together with the consequential tax effects.

20.1 Goodwill

The movements in the net carrying amount of goodwill are as follows:

	30-Jun-16 $	30-Jun-15 $
Gross carrying amount		
Balance 1 July	6,594,394	3,128,064
Acquired through business combination	3,209,642	3,466,330
Balance 30 June	9,804,036	6,594,394
Accumulated impairment		
Balance 1 July	(3,128,064)	(3,128,064)
Impairment loss recognised	-	-
Balance 30 June	(3,128,064)	(3,128,064)
Carrying amount 30 June	6,675,972	3,466,330

20.2 Impairment testing

The acquisition of the business assets of Cloud House on 15 February 2016, has given rise to Goodwill. Despite being the same Cloud Services business, as Cloud House is located in a separate geographical region it is considered a separate cash generating unit. For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

	30-Jun-16 $	30-Jun-15 $
Bulletproof Group Limited	3,466,330	3,466,330
Bulletproof New Zealand	3,209,642	-
Goodwill allocation at 30 June	6,675,972	3,466,330

	Growth rates		Discount rates	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	$	$	$	$
Bulletproof Group Limited	30.0%	25.0%	25.0%	18.0%
Bulletproof New Zealand	27.5%	-	18.1%	-

20.3 Growth rates

The growth rate exceeds the average growth rates for the region, and is reflective of the historical growth of the Group, as well as anticipated future growth, including market opportunities in the expanding digital Hosting and Cloud market.

20.4 Discount rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of the Cloud Services market in each unit.

20.5 Cash flow assumptions

Bulletproof Group Limited

Management's key assumptions include stable profit margins, based on past experience in this market. The Group's management believes that this is the best available input for forecasting this mature market. Management confirms that the discounted cash flow analysis conducted provide cash flow projections well above the carrying amount of the Goodwill and has determined no impairment of the Goodwill is required. Management also believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the business to exceed its recoverable amount.

Bulletproof New Zealand

For the purposes of impairment testing, discounted cash flow analysis was conducted based on cash flow projections of the CGU. Revenue is broadly classified into Cloud and professional services. The forecast for Cloud revenues are based on the market trend and the growth direction of the company.

Immediate synergy opportunities arise from consolidated buying of key capacity and licensing from suppliers that Bulletproof and Cloud House share, along with Bulletproof's AWS Premier Partner benefits being made available to Cloud House customers. Innovation in managed Cloud and Application services that the Cloud House team have developed will be merged with Bulletproof's existing comprehensive end to end Cloud Services offering to extend the Company's market-leading position.

The recoverable amount of the business is determined based on a value in use calculation which uses five-year cash flow projections based on one year financial budgets approved by management. Management confirms that the discounted cash flow analysis conducted provide cash flow projections well above the carrying amount of the Goodwill and has determined no impairment of the Goodwill is required. Management also believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the business to exceed its recoverable amount.

21. Interests in subsidiaries

Set out below details of the subsidiaries held directly by the Group:

Name of the Subsidiary	Country of Incorporation & Principal Place of Business	Principal Activity	Group Proportion of Ownership Interests	
			30-Jun-16	30-Jun-15
Bulletproof Networks Pty Limited	Australia Level 17, 60 Margaret Street, Sydney NSW 2000	Cloud Services	100%	100%
Infoplex Pty Limited	Australia Level 17, 60 Margaret Street, Sydney NSW 2000	Cloud Services	100%	0%
Bulletproof Networks Incorporated	United States of America 111 N Market Street Suite 300, San Jose CA 95113	Cloud Services	100%	100%

22. Segment Reporting

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group only operates in one business segment being managed cloud, hosting services and professional services.

The Group sources some of its revenue from the United States of America and New Zealand, and therefore presents the following split by geographic region.

	Sales to external customers		Assets	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	$	$	$	$
Australia	45,474,446	27,633,273	36,867,537	21,955,996
United States of America	592,820	367,725	1,528,354	1,121,122
New Zealand	1,151,783	-	756,744	-
	47,219,049	28,000,998	39,152,635	23,077,118

Major customers

There were no single external customers in the managed cloud and hosting services segment which accounted for more than 10% of external revenue of the Group.

23. Earnings per share

In accordance with the principles of reverse acquisition accounting, the weighted average number of ordinary shares outstanding during the period ended 30 June 2015 has been calculated as the weighted average number of ordinary shares of Bulletproof Networks outstanding during the period before acquisition multiplied by the exchange ratio established in the acquisition accounting, and the actual number of ordinary shares of Bulletproof outstanding during the period after acquisition.

	30-Jun-16 $	30-Jun-15 $
Earnings per share from continuing operations		
Profit after income tax (continuing)	1,771,855	4,435,206
Weighted average number of ordinary shares used in calculating basic earnings per share	146,233,733	104,838,398
Weighted average number of ordinary shares used in calculating diluted earnings per share	148,904,125	107,508,790
Basic earnings per share (cents per share)	1.21	4.23
Diluted earnings per share (cents per share)	1.19	4.13

24. Issued Capital

The share capital of Bulletproof Group Limited consists only of fully paid ordinary shares; the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Bulletproof Group Limited.

	No. Shares 2016	No. Shares 2015	$ Shares 2016	$ Shares 2015
Shares issued and fully paid:				
Beginning of the year	112,195,940	73,324,667	12,853,925	7,227,313
Issue of capital	30,070,175	16,537,008	12,019,333	4,791,110
Shares issued pursuant to the offer	13,333,336	16,666,667	-	-
Shares issued pursuant to the earn out	1,376,152	-	-	-
Conversion of options	1,752,095	5,667,598	351,186	1,133,520
Share issue cost	-	-	(208,426)	(298,018)
	158,727,698	112,195,940	25,016,018	12,853,925

25. Share Option Reserve

The share option reserve of Bulletproof Group Limited consists of 3,337,990 options issued to Taylor Collison in conjunction with services associated with the acquisition of Bulletproof Networks by Bulletproof Group. The options have a 3 year term, vest immediately, have an exercise price of $0.20, and have a fair value at grant date of $0.2334 (based on share price at grant date of $0.34, risk-free rate of 3.03%, dividend yield of 0% and volatility of 88.44%). The following options have been exercised, leaving a total of 868,297 options remaining:

- 667,598 options on 6 February 2015
- 300,000 options on 13 January 2016
- 400,000 options on 22 January 2016
- 500,000 options on 4 February 2016
- 552,095 options on 8 February 2016
- 50,000 options on 16 August 2016

Also included within the reserve are pro rata amounts pertaining to issues under the General Employee Share Plan (GESP) and Employee Ownership Share Plan (ESOP) approved at the Group's Annual General Meeting held on 13 November 2015.

A total of 322,500 shares at a strike price of $0.40 were issued under the GESP on 4 February 2016 with the pro rata value of $16,847 allocated as at 30 June 2016.

A total of 481,250 shares at a strike price of $0.40 were issued under the ESOP on 4 February 2016 with the pro rata value of $25,139 allocated as at 30 June 2016.

26. Other Components of Equity

Upon acquisition, a financial liability has been recognised, with the opposite side being shown as a distribution from the consolidated group to the accounting acquirer's shareholders at the acquisition date, within equity.

27. Foreign Currency Translation Reserve

The Foreign currency translation reserve comprises foreign currency translation differences arising on the translation of financial statements of the Group's foreign entities into AUD. It is also used to recognise gains and losses on the net investments in foreign operations (see Note 3.2).

28. Cash Flow Information

	Consolidated	
	30 June 2016	**30 June 2015**
	$	**$**
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit/(loss) after income tax	1,771,855	4,435,206
Non-cash flows in surplus:		
- Depreciation	2,448,082	2,248,009
- Amortisation	1,399,686	1,085,489
- Unrealised foreign exchange loss/(gain)	8,831	(278,257)
- Revaluation of financial liabilities	(706,997)	(4,146,060)
Adjustments		
- Net interest received including investing and financing	87,820	151,605
Changes in assets and liabilities		
- (Increase)/Decrease in trade and term debtors	(2,453,261)	(2,933,032)
- (Increase)/Decrease in other assets	(1,320,148)	(661,430)
- (Increase)/Decrease in other deferred tax assets	(517,516)	(1,082,435)
- Increase/(Decrease) in payables	2,900,778	2,785,243
- Increase/(Decrease) in deferred revenue	354,850	(326,800)
- Increase/(Decrease) in current tax liabilities	(140,779)	-
- Increase/(Decrease) in deferred tax liabilities	679,916	1,005,227
- Increase/(Decrease) in provisions	614,189	335,757
Cash flow from operations	5,127,306	2,618,522

29. Related Party Transactions

The Group's related party transactions are only with key management. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

29.1 Transactions with key management personnel

Key management of the Group are the executive members of Bulletproof Group Limited's Board of Directors and, until 29 June 2016, also included the two founding directors of Pantha Corp whose business assets were acquired by the Group in December 2015. Key Management Personnel remuneration includes the following expenses:

	30 June 2016	30 June 2015
	$	$
Short term employee benefits	2,148,417	1,883,541
Post employment benefits	151,581	122,790
Share-based payments	-	84,500
Total remuneration	2,299,998	2,090,831

30.2 Share-based employee remuneration

As at 30 June 2016 the Group maintained two share-based payment schemes for employee remuneration, the Employee Share Ownership Plan (ESOP) and the General Employee Share Plan (GESP). Both programs will be settled in equity.
The ESOP is part of the remuneration package of the Group's Senior Management and is designed to allow the Company to provide loans to Employees to be applied solely for the purpose of acquiring Shares to assist with:

(a) attracting, motivating and retaining Employees;
(b) delivering rewards to Employees for individual and Company performance;
(c) allowing Employees the opportunity to become shareholders in the Company; and
(d) aligning the interests of Employees with those of Company shareholders.

Shares allocated to a Participant under the plan will be subject to trading restrictions until the end of three years after the date of allocation. In addition, participants in this scheme have to be employed until the end of the agreed restriction period.

The GESP is part of the remuneration package of the Group's general personnel and enables eligible employees to acquire Shares up to the value of $1,000 each year on a tax exempt basis. Shares allocated to a Participant under the plan will be subject to trading restrictions until the end of three years after the date of allocation.

Shares and weighted average issue prices are as follows for the reporting periods presented:

	Employee Share Ownership Plan		General Employee Share Plan	
	No. Shares	Weighted avg $	No. Shares	Weighted avg $
Outstanding as at 30 June 2015	266,664	0.30	263,307	0.30
Granted	481,250	0.40	322,500	0.40
Forfeited	-	-	-	-
Outstanding as at 30 June 2016	747,914		585,807	-

30. Financial Instruments

30.1 Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable and borrowings. The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Financial assets		
Cash and cash equivalents	4,663,816	3,363,339
Deposits	594,891	184,291
Trade receivables	7,441,211	4,987,950
Financial assets	-	25,830
	12,699,918	8,561,410
Financial liabilities		
Trade and other payables	8,139,721	5,238,943
Borrowings	2,971,924	2,258,022
Deferred consideration (Earn out payable)	2,926,610	2,763,384
Financial liabilities	10,740	-
Financial liabilities (Class B Performance Shares)	-	3,333,334
	14,048,995	13,593,683

The main risks the company is exposed to through its financial instruments have been addressed below.

Market risks

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. As at the reporting date, the consolidated entity had the following cash and deposits outstanding:

	Weighted average interest rate	Within 1 year	Fixed interest rate maturing 1 to 5 years	Total
2016	**%**	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	0.46%	4,663,816	-	4,663,816
Deposits	0.00%	133,676	461,215	594,891
Total interest bearing financial assets		4,797,492	461,215	5,258,707
Financial liabilities				
Borrowings	6.40%	1,351,326	1,620,598	2,971,924
Total interest bearing financial liabilities		1,351,326	1,620,598	2,971,924
2015				
Financial assets				
Cash and cash equivalents	1.34%	3,363,339	-	3,363,339
Deposits	3.08%	147,166	37,125	184,291
Total interest bearing financial assets		3,510,505	37,125	3,547,630
Financial liabilities				
Borrowings	7.53%	1,245,778	1,012,244	3,267,682
Total interest bearing financial liabilities		1,245,778	1,012,244	2,258,022

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit or loss and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	2016		2015	
Consolidated	**$**	**$**	**$**	**$**
Interest rate movement	+1.00%	-1.00%	+1.00%	-1.00%
Impact on net result for the year	22,868	(22,868)	12,896	(12,896)
Impact on equity	22,868	(22,868)	12,896	(12,896)

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The consolidated entity's foreign exchange risk is managed to ensure sufficient funds are available to meet US financial commitments in a timely and cost-effective manner.

Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The company manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- investing only in surplus cash with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets. The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

Consolidated

Liquidity Risk	**Due <1 yr**	**Due 1-5yrs**	**Due >5yrs**	**Total**
2016	**$**	**$**	**$**	**$**
Financial liabilities due for payment				
Trade and other payables	8,139,721	-	-	8,139,721
Borrowings	1,351,326	1,620,598	-	2,971,924
Total expected outflows	9,491,047	1,620,598	-	11,111,645
Financial assets – cash flows realisable				
Cash and cash equivalents	4,663,816	-	-	4,663,816
Deposits	133,676	461,215	-	594,891
Trade receivables	7,441,211	-	-	7,441,211
Total anticipated inflows	12,238,703	461,215	-	12,699,918
Net inflow/(outflow) on financial instruments	2,747,656	(1,159,383)	-	1,588,273
2015				
Financial liabilities due for payment				
Trade and other payables	5,238,943	-	-	5,238,943
Borrowings	1,245,778	1,012,244	-	2,258,022
Total expected outflows	6,484,721	1,012,244	-	7,496,965
Financial assets – cash flows realisable				
Cash and cash equivalents	3,363,339	-	-	3,363,339
Deposits	147,166	37,125	-	184,291
Trade receivables	4,987,950	-	-	4,987,950
Total anticipated inflows	8,498,455	37,125	-	8,535,580
Net inflow/(outflow) on financial instruments	2,013,734	(975,119)	-	1,038,615

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

30.2 Fair values

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Consolidated

	2016		2015	
	Net carrying value	Fair value	Net carrying value	Fair value
	$	$	$	$
Financial assets				
Cash and cash equivalents	4,663,816	4,663,816	3,363,339	3,363,339
Deposits	594,891	594,891	184,291	184,291
Trade and other receivables	7,441,211	7,441,211	4,987,950	4,987,950
Financial assets	-	-	25,830	25,830
Total financial assets	12,699,918	12,699,918	8,561,410	8,561,410
Financial liabilities				
Trade and other payables	8,139,720	8,139,720	5,238,943	5,238,943
Borrowings	2,971,924	2,971,924	2,258,022	2,258,022
Deferred consideration	2,926,610	2,926,610	2,763,384	2,763,384
Financial liabilities	10,740	10,740	3,333,334	3,333,334
Total financial liabilities	14,048,995	14,048,995	13,593,683	13,593,683

31. Fair Value Measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- **level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- **level 3:** unobservable inputs for the asset or liability

The following table shows the Levels within the hierarchy of financial liabilities measured at fair value at 30 June 2016:

30 June 2016	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial liabilities				
Contingent Consideration	-	-	-	-
Earnout Payable	-	-	(2,926,610)	(2, 926,610)
	-	-	(2, 926,610)	(2, 926,610)

The following table shows the Levels within the hierarchy of financial liabilities measured at fair value at 30 June 2015:

30 June 2015	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial liabilities				
Contingent Consideration	-	-	(3,333,334)	(3,333,334)
Earnout Payable	-	-	(2,763,384)	(2,763,384)
	-	-	(6,096,718)	(6,096,718)

Contingent consideration (Level 3)

Class B Performance Shares Liability of $3,333,334 related to the acquisition of Bulletproof Networks was settled with 13,333,336 Class B performance Shares converted within the year.

	30 June 2016	30 June 2015
	$	$
Balance at start of period	3,333,334	7,625,000
Acquired through business combination	-	-
(Gains)/Loss recognised in profit or loss	866,667	(1,375,000)
Write back	-	(2,916,666)
Shares converted 28 August 2015	(4,200,001)	-
Balance at year end	-	3,333,334

Earn Out Payable (Level 3)

As the final measurement period for Pantha Corporation was complete on 30 June 2016, management have revalued the Earn Out for a total $2,534,799 to $228,585 representing a final cash payment of $103,333 and share issue of 313,131 shares at the closing value of 40 cents per share. The remaining $2,698,025 is representative of the fair value earn out for Pantha Corporation.

	30 June 2016	30 June 2015
	$	$
Balance at start of period	2,763,384	-
Acquired through business combination	2,698,025	2,617,778
(Gains)/Loss recognised in profit or loss	(2,091,793)	145,606
milestone cash payment	(462,669)	-
Balance at year end	2,906,947	2,763,384

32. Parent Company Information

	30 June 2016 $	30 June 2015 $
Assets		
Current assets	13,317,422	7,617,993
Non-current assets	22,004,728	10,272,546
Total assets	35,322,149	17,890,539
Liabilities		
Current liabilities	27,753,209	14,415,606
Non-current liabilities	3,369,053	2,009,751
Total liabilities	31,122,262	16,425,357
Equity		
Issued capital	682	682
Foreign currency translation reserve	(11,565)	(48,300)
Other reserves	-	279,406
Retained earnings	4,210,770	1,233,394
Total equity	4,199,887	1,465,182
Financial performance		
Profit/(loss) for the year	2,697,969	848,229
Total comprehensive income	2,697,969	848,229

Under the principles of AASB 3: Business Combinations, Bulletproof Networks is the accounting acquirer and Bulletproof (formerly Spencer Resources) is the accounting acquiree, and therefore the Parent Company Information has been prepared on this basis with Bulletproof Networks being the parent entity.

The parent entity does not have any capital commitments to purchase plant and IT equipment (2015:$nil). The parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

33. Capital Management

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders

by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity plus its subordinated loan, less cash and cash equivalents as presented on the face of the statement of financial position.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. There are no externally imposed capital requirements.

34. Post-Reporting Date Events

The acquisition of the business assets of Pantha Corporation by the Company included contingent consideration, a component of which was determined on certain targets being met for FY16. As a result of the final Earn Out targets being partially met, an additional $103,333 is expected to be paid in cash and 313,131 shares issued at the nominated value of $0.33 per share on or around 28 August 2016.

Other than the above, there have been no significant events arising after the reporting date.

35. Company Details

The registered office and principal place of business of the Company is;

Level 17
60 Margaret Street
Sydney NSW 2000

Directors' Declaration

1. In the opinion of the directors of Bulletproof Group Limited:

   a. The consolidated financial statements and notes of Bulletproof Group Limited are in accordance with the *Corporations Act 2001*, including

      i. giving a true and fair view of its financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

      iii. the consolidated financial statements comply with International Financial Reporting Standards as detailed in Note 2; and

   b. There are reasonable grounds to believe that Bulletproof Group Limited will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the directors:

David Paterson
Chairman

Anthony Woodward
Director

Dated on 23 August 2016
Sydney

Grant Thornton

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Independent Auditor's Report
To the Members of Bulletproof Group Limited

Report on the financial report

We have audited the accompanying financial report of Bulletproof Group Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Bulletproof Group Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 12 to 14 of the directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Bulletproof Group Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 23 August 2016

Corporate Governance

Bulletproof Group Limited

financial year ended 30 June 2016

BULLETPROOF
MISSION CRITICAL CLOUD

Corporate Governance Statement

The Company's Directors and management are committed to conducting the business of Bulletproof Group Limited and its controlled entities (the Group) in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on Bulletproof's website (www.bulletproof.net.au) (the Website), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will identify each Recommendation that needs to be reported against by Bulletproof, and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters and policies are all available on the Website.

Appendices

Bulletproof Group Limited

financial year ended 30 June 2016

BULLETPROOF
MISSION CRITICAL CLOUD

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 19 August 2016.

Substantial Shareholders

The number of substantial shareholders and their associates advised to the company are set out below:

Shareholder	Number Held
WOODWARD FAMILY COMPANY PTY LTD	28,005,964
DOMAINS AND WEB PTY LTD	20,235,249
J P MORGAN NOMINEES AUSTRALIA LIMITED	9,377,332
FERLITO AND PFEIFFER FAMILY COMPANY PTY LTD	7,826,150

Voting Rights

Ordinary Shares: On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options: No voting rights.

Distribution of Equity Security Holders as at 19 August 2016:

	Ordinary Shares	
Holding	**Total holders**	**Shares**
1 – 1,000	104	24,430
1,001 – 5,000	1,399	3,996,990
5,001 – 10,000	654	5,324,851
10,001 – 100,000	1,047	31,745,678
100,001 and over	109	116,348,961
Total	**3,313**	**157,440,640**

There were 326 holders of less than a marketable parcel of ordinary shares.

Twenty (20) Largest Shareholders as at 19 August 2016:

Shareholder	Ordinary Shares	
	Number Held	Percentage of Issued Shares
WOODWARD FAMILY COMPANY PTY LTD	28,005,964	17.79
DOMAINS AND WEB PTY LTD	20,235,249	12.85
J P MORGAN NOMINEES AUSTRALIA LIMITED	9,377,332	5.96
FERLITO AND PFEIFFER FAMILY COMPANY PTY LTD	7,826,150	4.97
NATIONAL NOMINEES LIMITED	4,273,606	2.71
DIVERSA TRUSTEES LIMITED	3,329,056	2.11
MARK RANDALL	3,047,826	1.94
THE TRUST COMPANY SUPERANNUATION LIMITED	2,289,532	1.45
KIM LEE	2,206,742	1.40
BM CAPITAL MANAGEMENT PTY LTD	2,114,341	1.34
MS JACULIN KERRY MODESTO	1,602,232	1.02
MRS KYLIE JOY TURNER	1,408,804	0.89
BM CAPITAL MANAGEMENT PTY LTD	1,310,000	0.83
DR HEDLEY SANDLER & MRS BEVERLEY ANNE SANDLER	1,150,000	0.73
MRS JACULIN KERRY MODESTO	1,145,225	0.73
THE TRUST COMPANY (SUPERANNUATION) LTD	1,092,018	0.69
TRUST COMPANY (SUPERANNUATION) LIMITED	1,061,228	0.67
MR FRANK WILLIAM PENHALLURIACK & MRS ESTHER TANG	1,039,536	0.66
DR JASON MICHAEL SPENCER & DR CAROLYN JEAN NELSON	880,000	0.56
JAPEM PTY LTD	857,143	0.54

Securities Exchange

The Company is listed on the Australian Securities Exchange under the code BPF.

Bulletproof Group Limited

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