

**Bitcoin Group Ltd and Controlled Entities**  
**ABN 82 601 628 497**

**Financial report for the period ended 30 June 2015**

**Bitcoin Group Ltd and Controlled Entities**

**ABN: 82 601 628 497**

**Financial Report**

**For The Period Ended 30 June 2015**

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# Bitcoin Group Ltd and Controlled Entities

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## DIRECTORS' REPORT

Your directors present their report on Bitcoin Group Ltd and its controlled entities for the financial period ended 30 June 2015. The consolidated entity is referred to as "the consolidated group". Bitcoin Group was incorporated on 4 September 2014.

### Review of Operations

The consolidated profit of the consolidated group for the financial period after providing for income tax amounted to \$33,968.

### Significant Changes in the State of Affairs

No significant changes in the consolidated group's state of affairs occurred during the financial period.

### Principal Activities

The principal activity of the consolidated group during the financial period was mining Bitcoins. No significant change in the nature of these activities occurred during the period.

### Events Subsequent to the End of the Reporting Period

Bitcoin Group is in the process to raise capital through IPO listing on the Australian Stock Exchange (ASX). A first Replacement Prospectus has been lodged with Australian Securities and Investment Commission on 4 September 2015 and a second Replacement Prospectus will be lodged in December 2015 with anticipated listing on ASX in January 2016.

In the opinion of the Directors, other than the disclosures mentioned above, there was no other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations in future financial years, or the state of affairs of the consolidated group in future financial periods.

### Likely Developments and Expected Results of Operations

Likely developments in the operations of the consolidated group and the expected results of those operations in future financial periods have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated group.

### Environmental Regulation

The consolidated group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

### Dividends

No dividends has been paid or declared since the start of the financial period.

### Options

No options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the period as a result of the exercise of an option over unissued shares or interests.

### Indemnification of Officers

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

### Proceedings on Behalf of 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 period.

# Bitcoin Group Ltd and Controlled Entities

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## DIRECTORS' REPORT

### Directors

The names of the directors in office at any time during, or since the end of, the period are:

- Andrew Plympton – Chairman (Appointed 25 June 2015)
- Samuel Lee (Appointed 4 September 2014)
- Allan Guo (Appointed 4 September 2014)
- Ryan Xu (Appointed 25 June 2015)
- Harry Wang (Appointed 25 June 2015)
- Xiangdong Gao (Appointed 21 October 2014)

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

### Information on Directors

The following persons were Directors of Bitcoin Group during the financial period and up to the date of this report.

- **Mr Andrew Plympton (Independent Director, Chairman of the Board)**

Appointed 25 June 2015

Mr Plympton has served as Chief Executive Officer and Chairman for the Asia Pacific operations of two global insurance broking firms' operations. In addition, Mr Plympton has served as Chairman of a specialist aviation underwriting company and Chairman of Macdonald's family restaurants' captive insurance operations. Three periods ago, Mr Plympton was appointed to the Australian Advisory Board of the world's largest broking and consulting company, AON Group.

In the ASX-listed companies' sector, Mr Plympton currently serves as Chairman of Shoply Limited (ASX:SPP) and Entellect Limited (ASX:ESN). In addition, Mr Plympton is a Director of Energy Mad Limited (NZX:MAD), a company listed on the New Zealand Stock Exchange.

In addition to being on numerous boards of both ASX-listed and unlisted companies, Mr Plympton's background and achievements in sport and sport administration is well documented.

- **Mr Samuel Lee (Chief Executive Officer)**

Appointed 4 September 2014

Mr Lee is a co-founder of Bitcoin Group and has a background as a Strategy Director in the financial services outside Australia and digital media industry. Mr Lee has performed the role of an IT Enterprise strategy consultant, specialising in project planning and execution, servicing companies such as Renault, Heinz, Total S.A and Cricket Australia. Mr Lee is one of the founding organisers of the Melbourne Bitcoin Meetup. He has worked with the community to realise initiatives such as the Melbourne Bitcoin Technology Centre, Bitcoin Boulevard Australia and Bitcoin Buskers.

With the clear goal of creating an accountable, legitimate and transparent investment vehicle, to bring Bitcoin into the mainstream, Mr Lee's first involvement with Bitcoin is as a Director of Millennius Pty Ltd, implementing a Bitcoin payment gateway as a website checkout option in June 2013 to become Australia's first e-tailer to accept Bitcoin. After which, he co-founded Bitcoins Reserve, a BVI entity with office in Hong Kong which operates the world's first arbitrage fund specialising in the cryptocurrency asset class.

Mr Lee is responsible for the overall management of Bitcoin Group. His role in Bitcoin Group will comprise of leading and overseeing the implementation of Bitcoin Group's long and short term plans in accordance with Bitcoin Group's Operations Strategy, human resources management, risk management and overall communication management.

- **Mr Allan Guo B. Com The University of Adelaide (Chief Financial Officer)**

Appointed 4 September 2015

Mr Guo is a co-founder of Bitcoin Group and brings his banking, accounting and compliance background to Bitcoin Group. Prior to joining Bitcoin Group, Mr Guo held the role of GST and Tax Accountant at NAB, in this role, Mr Guo reviewed and reconciled accounts of superannuation funds valued at over 2 billion Australian

## Bitcoin Group Ltd and Controlled Entities

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### DIRECTORS' REPORT

Dollars. Acting as Director of Peak Property Development Pty Ltd, Peak AG Real Estate Pty Ltd and Peak International Pty Ltd, Mr Guo has holds a real estate licence and has been involved in a number of property developments in Australia and abroad. Mr Guo graduated from Adelaide University with a Bachelors of Commerce. Mr Guo manages the financial affairs and business development of Bitcoin Group, as well as advises Bitcoin Group on contractual financial implication to ensure that the operating budget is complied with.

- **Mr Ryan Xu B.Eng. Shanghai Jiao Tong University (Chief Strategy Officer)**

Appointed 25 June 2015

Mr Xu is a co-founder of Bitcoin Group with a background in engineering and has extensive experience working as an engineer operating Power Plants under management of Hainan Nuclear Power Co. Ltd a subsidiary of state owned enterprise China Nuclear. Mr Xu has developed specialised knowledge of electricity consumption and the Chinese electricity grid which will be key to understanding the electrical requirements of deploying Mining facilities in selected locations. Voted most influential writer / commentator of in the Chinese Bitcoin industry for 2014 by member of the Chinese Bitcoin community that are registered on the 8BTC Bitcoin News Portal, Mr Xu graduated from Shanghai Jiao Tong University with a Bachelor of Electrical Engineering.

Mr Xu's role in Bitcoin Group is to set out and implement Bitcoin Group's Operations Strategy for medium and long-term growth. He is in charge of developing partnerships for the execution of Bitcoin Group's key initiatives. Mr Xu is also responsible for the development of the employees within Bitcoin Group and acts as an internal strategy consultant to Bitcoin Group.

- **Mr Harry Wang (Independent Director)**

Appointed 25 June 2015

Mr Wang founded 'Anying' foreign exchange and money remittance business in 2003 in Melbourne, and under Mr Wang's leadership, Anying has recorded impressive year-on-year growth in the last 12 years, and is now ranked the 3rd largest money remittance business in Australia, behind OzForex and Western Union. Mr Wang's decade long hands-on experience in the remittance space will be invaluable to help the Bitcoin Group leverage the Block Chain technology for remittances, bringing knowledge in key areas such as anti-Money laundering/counter-terrorism financing, non-cash payments, foreign exchange markets and online payment platforms.

- **Mr Xiangdong Gao (Independent Director)**

Appointed 21 October 2014

Mr Gao has over 30 years of experience in the construction industry, and currently serves as the Chairman of Dalian Qifei Fire Mechanical and Electrical Engineering Co, Ltd since its founding in 2000. He is also a non-executive Director of Dalian Dongxing Trading Company since 2009. His tenure has seen both these businesses grow from strength to strength through successful dealings with numerous state regulatory departments.

#### Interest in shares held directly as at the date of report for the directors are:

Name	Shares
Samuel Lee	100
Allan Guo as held by his Family Trust and Superannuation Fund	10,400,000
Ryan Xu as beneficiary of a Unit Trust	3,750,000
Harry Wang via Fortune Capital	5,000,000
Xiangdong Gao as held by his Family Trust	6,250,000

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### DIRECTORS' REPORT

The above interests are 'relevant interests' as that term is defined in Section 608 of the Corporations Act which includes indirect interest in and the ability to control certain dealings with the Shares. No options are currently on issue.

#### Directors Meetings

During the financial period, nine meeting of directors (including committees of directors) were held. Attendances by each director during the period were as follows:

Director	Number eligible to attend	Number attended
Andrew Plympton	1	1
Samuel Lee	9	9
Allan Guo	9	9
Ryan Xu	1	1
Harry Wang	1	1
Xiangdong Gao	8	-

#### Company Secretary

The following person(s) held the position of company secretary at the end of the financial period:

- Allan Guo

#### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s307C of the *Corporations Act 2001* is set out on page 6.

No officer of the consolidated group is or has been a partner/director of any auditor of the consolidated group.

This directors' report is signed in accordance with a resolution of the Board of Directors:



**Sam Lee**

Director

Melbourne, 23 December 2015

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BITCOIN GROUP LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2015 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.



SHINEWING AUSTRALIA  
Chartered Accountants



Rami Eltchelebi  
Partner

Melbourne, 23 December 2015

# Bitcoin Group Ltd and Controlled Entities

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2015

	Note	2015
<b>Income</b>		<b>\$</b>
Revenue from bitcoins mined	3	1,803,311
Bitcoin mining costs	4a	(1,356,700)
<b>Gross profit</b>		<b>446,611</b>
<b>Other Income</b>		
Interest Income		1,219
Rental income		25,300
Foreign exchange gains		24,559
<b>Other Expenditure</b>		
Advertising costs		(62,877)
Employee benefits expense	4a	(115,349)
Rental expenses	4a	(123,650)
Travel and accommodation		(17,514)
Other expenses		(126,993)
<b>Profit before income tax</b>		<b>51,306</b>
Tax expense	5a	(17,338)
<b>Profit for the period</b>		<b>33,968</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Fair value gains on Bitcoins, net of tax	21	20,574
<b>Total other comprehensive income for the period</b>		<b>20,574</b>
<b>Total comprehensive income for the period</b>		<b>54,542</b>
Profit attributable to:		
Members of the parent entity		33,968
Total comprehensive income attributable to:		
Members of the parent entity		54,542
<b>Earnings per share:</b>		
<b>From continuing operations:</b>		
- Basic earnings per share (cents)	25	0.1
- Diluted earnings per share (cents)	25	0.1

The accompanying notes form part of these financial statements.

**Bitcoin Group Ltd and Controlled Entities**

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	2015 \$
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	8	235,645
Trade and other receivables	9	365,751
Intangible assets	10	475,121
Other assets	11	1,165,707
TOTAL CURRENT ASSETS		<u>2,242,224</u>
NON-CURRENT ASSETS		
Plant and equipment	12	963,465
Deferred tax assets	15	46,752
Other assets	11	44,276
TOTAL NON-CURRENT ASSETS		<u>1,054,493</u>
TOTAL ASSETS		<u>3,296,717</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Trade and other payables	13	324,556
Borrowings	14	225,000
Other liabilities		36,275
TOTAL CURRENT LIABILITIES		<u>585,831</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	15	75,824
TOTAL NON-CURRENT LIABILITIES		<u>75,824</u>
TOTAL LIABILITIES		<u>661,655</u>
NET ASSETS		<u>2,635,062</u>
<b>EQUITY</b>		
Issued capital	16	2,580,520
Reserves		27,378
Retained earnings		27,164
TOTAL EQUITY		<u>2,635,062</u>

The accompanying notes form part of these financial statements.

**Bitcoin Group Ltd and Controlled Entities**  
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2015

	Issued Capital		Reserves		Total
	Note	Ordinary	Retained Earnings	Bitcoin Revaluation Surplus	
		\$	\$		\$
<b>Balance at 4 September 2014</b>		-	-	-	-
<b>Share issued</b>		2,580,520	-	-	2,580,520
<b>Comprehensive income</b>					
Profit for the period		-	33,968	-	33,968
Other comprehensive income for the period		-	-	20,574	20,574
<b>Total comprehensive income for the period attributable to members of the parent entity</b>		<b>2,580,520</b>	<b>33,968</b>	<b>20,574</b>	<b>2,635,062</b>
<b>Total transactions with owners and other transfers</b>		-	-	-	-
Transfer of realised gains/losses to retained earnings		-	(6,804)	6,804	-
<b>Balance at 30 June 2015</b>		<b>2,580,520</b>	<b>27,164</b>	<b>27,378</b>	<b>2,635,062</b>

The accompanying notes form part of these financial statements.

**Bitcoin Group Ltd and Controlled Entities****ABN: 82 601 628 497****CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2015**

	<b>Note</b>	<b>2015</b>
		<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers		12,047
Payments to suppliers and employees		(1,913,514)
Interest received		1,219
Net cash used in by operating activities	17a	<u>(1,900,248)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of bitcoins		413,078
Payments for purchase of bitcoins		(374,754)
Purchase of property, plant and equipment		(707,551)
Net cash used in investing activities		<u>(669,227)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares		2,580,120
Proceeds from borrowings		225,000
Net cash provided by financing activities		<u>2,805,120</u>
Net increase in cash held		235,645
Cash and cash equivalents at beginning of financial period		-
Cash and cash equivalents at end of financial period	8	<u>235,645</u>

The accompanying notes form part of these financial statements.

# Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

The consolidated financial statements and notes represent those of Bitcoin Group Ltd and Controlled Entities (the "consolidated group" or "the group"). Bitcoin Group Ltd is a company limited by shares, incorporated and domiciled in Australia.

Bitcoin Group Ltd was incorporated on 4 September 2014. Accordingly these financial statements cover the period from incorporation to 30 June 2015.

The financial statements were authorised for issue on 23 December 2015 by the directors of Bitcoin Group Ltd.

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Preparation**

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets. The amounts presented in the financial statements have been rounded to the nearest dollar.

#### **Accounting Policies**

##### **a. Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of Bitcoin Group Ltd and all of the subsidiaries (including any structured entities). 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 22.

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. Intercompany 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.

##### **b. Income Tax**

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

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 period as well as unused tax losses.

Current and deferred income tax expense / (income) 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 including goodwill 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 Bitcoins 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.

## Bitcoin Group Ltd and Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **b. Income Tax (continued)**

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.

Bitcoin Group Ltd and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 4 September 2014 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Bitcoin Group Ltd.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the group allocation approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities / (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable / (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

Bitcoin Group Ltd recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

##### **c. Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

# Bitcoin Group Ltd and Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### c. Fair Value of Assets and Liabilities (continued)

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

#### d. Revenue and Other income

Revenue recognised to the extent that it is probable that economic benefits will flow into the Bitcoin Group and revenue can be measured reliably, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed, if any.

- **Bitcoin mining**

Bitcoin Group generate Bitcoin mining revenue by providing computer processing activities (hash power) for Bitcoin generation and transaction processing services to a pool operator that aggregates Bitcoin Group's hash power with other providers and provides this hash power to the public ledger system known as the Bitcoin Blockchain. The Bitcoin pool balances the Bitcoin generation between participants to ensure the generation of Bitcoins are evenly distributed between pool participants. Bitcoin Group receives consideration for providing such Bitcoin mining activities in the form of Bitcoins, less a 2.5% commission. Revenue from bitcoins mined is recognised at the fair value of Bitcoins received on the date of actual receipt.

- **Sale of hash power**

Revenue from the sale of hash power is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the hash power and the cessation of all involvement in those hash power.

- **Interest**

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax.

#### e. Plant and Equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(h) for details of impairment).

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

- **Depreciation**

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

# Bitcoin Group Ltd and Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### e. Plant and Equipment (continued)

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

Class of Fixed Asset	Depreciation Rate
Bitcoin mining equipment	67%
Other equipment	10-25%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised.

#### f. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

#### g. Financial Instruments

##### • Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are recognised as expenses in profit or loss immediately.

##### • Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

For the purpose of parent entities' separate financial statements, investments in subsidiaries are accounted for at cost.

# Bitcoin Group Ltd and Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 9- Financial Instruments (continued)

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) *Financial liabilities*

Non-derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

- **Impairment**

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

- **Derecognition**

Financial assets are derecognised when the contractual rights to receipt of cash flows expire 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 when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount 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.

#### h. Impairment of Non-financial Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 138 *Intangible Assets*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

# Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### i. **Bitcoins**

Bitcoins are indefinite life intangible assets initially recognised at cost. Bitcoins are subsequently measured at fair value by reference to the quoted price in an active Bitcoin market. Increases in the carrying amount of Bitcoins on revaluation are credited to a revaluation surplus in equity. Decreases that offset previous increases are recognised against the revaluation surplus in equity; all other decreases are recognised in profit and loss. On disposal of Bitcoins, the cumulative revaluation surplus associated with those Bitcoins is transferred directly to retained earnings.

#### j. **Foreign Currency Transactions and Balances**

- **Functional and presentation currency**

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

- **Transactions and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income otherwise the exchange difference is recognised in profit or loss.

#### k. **Employee Benefits**

- **Short-term employee benefits**

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits are recognised as a part of current trade and other payables in the statement of financial position.

- **Other long-term employee benefits**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense in the period in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

# Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **l. Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

#### **m. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

#### **n. Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(h) for further discussion on the determination of impairment losses.

#### **o. Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

#### **P- 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 Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

#### **q. Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

##### **Key estimates**

##### **(i) Valuation of Bitcoins**

Bitcoins held by the consolidated group were valued at its fair value using the closing price listed on <http://bitcoincharts.com/charts/anxhkAUD> as at 30 June 2015 of \$345 per Bitcoin

## Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### q. Critical Accounting Estimates and Judgements (continued)

###### Key judgements

(i) *Revenue from bitcoins mining*

The Group has determined that the substance of its Bitcoin mining activities is service provision under the scope of *AASB 118 Revenue*. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity. Accordingly, the Directors have determined that revenue should be recognised on actual receipt of bitcoins as consideration for services rendered.

(ii) *Taxation of Bitcoins*

In relation to the taxation of bitcoin, the management have decided to take the guidance of the Australian Taxation Office (ATO) with reference to the ATO's guidance paper: Tax treatment of crypto-currencies in Australia – specifically bitcoin. The Group is in the business of mining bitcoin, any income that the Group derive from the transfer of the mined bitcoin to a third party would be included in the Group's assessable income. Any expenses incurred in respect to the mining activity would be allowed as a deduction. Bitcoin held by the Group are considered to be trading stock for tax purpose.

(iii) *Bitcoin on hand*

Bitcoins are considered to be an identifiable non-monetary asset without physical substance. The Group has determined that bitcoins held on hand are treated as intangible asset under the scope of *AASB 138 Intangible Assets*.

(iv) *Employee benefits*

For the purpose of measurement, *AASB 119: Employee Benefits* (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. As the Group expects that most employees would use all of their annual leave entitlements earned during a reporting period before 12-months after the reporting period, the directors consider that obligations for annual leave entitlements satisfy the definition as short-term employee benefits and, therefore, can be measured at the (undiscounted) amounts expected to be paid to employees when the obligations are settled.

##### r. New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- *AASB 9: Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

## Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although, the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2017).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

# Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 2: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

<b>Statement of Financial Position</b>	<b>2015</b>
	<b>\$</b>
<b>ASSETS</b>	
Current assets	634,078
Non-current assets	2,092,204
<b>TOTAL ASSETS</b>	<u>2,726,282</u>
<b>LIABILITIES</b>	
Current liabilities	474,321
Non-current liabilities	51,687
<b>TOTAL LIABILITIES</b>	<u>526,008</u>
<b>EQUITY</b>	
Issued capital	2,580,020
Retained earnings	(379,746)
<b>TOTAL EQUITY</b>	<u>2,200,274</u>

### Statement of Profit or Loss and Other Comprehensive Income

Total profit /(loss)	<u>(379,746)</u>
Total comprehensive income / (loss)	<u>(379,746)</u>

### Guarantees

Bitcoin Group Ltd has not entered into any guarantees, in the current financial period, in relation to the debts of its subsidiaries.

### Tax consolidation

Bitcoin Group and its 100% owned Australian resident subsidiaries formed a tax consolidated group (the Group) with effect from 4 September 2014. The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement, which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) are at call. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

## **Bitcoin Group Ltd and Controlled Entities**

**ABN: 82 601 628 497**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015**

#### **NOTE 2: PARENT INFORMATION**

##### **Contingent liabilities**

At 30 June 2015, Bitcoin Group Ltd has submitted its IPO application to ASIC. In the event of successful listing on the ASX, the employees and Executive Directors of Bitcoin Group may be eligible to receive a one-off cash bonus (Listing Bonus) in recognition of their efforts in assisting with achieving the list of the Group. The Listing Bonus is the lesser of 5% of capital raised and \$500,000.

The amount paid to each individual will be at the discretion of the Remuneration Committee with recommendations by the Board. The maximum amount payable to an individual is \$150,000. The Listing Bonus will be paid within 60 days of admission to the Official List.

A Prospectus and Replacement Prospectus have been lodged with ASIC on 29 June 2015 and 4 September 2015 respectively. However, the Company was not listed and as such no liability has been recognised.

##### **Contractual commitments**

At 30 June 2015, Bitcoin Group Ltd had entered into contractual commitments for the acquisition of 939 units of Bitcoin mining machines for the amount of \$504,175.

# Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 3: REVENUE AND OTHER INCOME

	<b>2015</b>
	<b>\$</b>
Income:	
- Revenue from Bitcoins mined	1,791,264
- Provision of hash power sale	12,047
	<hr/> 1,803,311 <hr/>
Other income:	
- Interest received	1,219
- Rental income	25,300
Foreign exchange gains	24,559
	<hr/> 51,078 <hr/>

### NOTE 4: PROFIT BEFORE INCOME TAX

Profit /(loss) before income tax from continuing operations includes the following specific expenses:

#### a. Expenses

##### Bitcoin mining costs

- Service fees	619,607
- Electricity costs	440,303
- Mining pool fees	26,418
- Depreciation expenses	270,372
	<hr/> 1,356,700 <hr/>

##### Employment benefits expenses:

- Post-employment defined contributions	10,007
- Other employment benefits	105,342
	<hr/> 115,349 <hr/>

##### Rental expense on operating leases:

- minimum lease payments	123,650
	<hr/> 123,650 <hr/>

# Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 5: TAX EXPENSE

	Note	2015 \$
a. The components of tax (expense)/income comprise:		
Current tax		-
Deferred tax		17,338
		<hr/> 17,338 <hr/>
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30%:		
– consolidated group		15,392
Add:		
Tax effect of:		
– other non-allowable items		1,946
Less:		
Tax effect of:		
Income tax attributable to entity		<hr/> 17,338 <hr/>
The applicable weighted average effective tax rates are as follows:		34%

# Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 June 2015

### NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

The totals of remuneration paid to key management personnel (KMP) of the Group during the period are as follows:

	<b>2015</b>
	<b>\$</b>
Short-term employee benefits	6,750
Post-employment benefits	-
Other long-term benefits	-
	<hr/>
	6,750
	<hr/>

### Other KMP transactions

For details of other transactions with KMP, refer to Note 18: Related Party Transactions.

### NOTE 7: AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:

- auditing or reviewing the financial statements	70,000
- Investigative Accountants report in relation to IPO	55,000
	<hr/>
	125,000
	<hr/>

### NOTE 8: CASH AND CASH EQUIVALENTS

#### CURRENT

Cash at bank and on hand	<hr/>
	235,645
	<hr/>
	235,645
	<hr/>

#### Reconciliation of cash

Cash and cash equivalents balance as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows:

Cash and cash equivalents	<hr/>
	235,645
	<hr/>
	235,645
	<hr/>

# Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 9: TRADE AND OTHER RECEIVABLES

	Note	2015
		\$
CURRENT		
Trade receivables		70,620
Other receivables	18	295,131
	9a	<u>365,751</u>

Included within trade receivable is the trade receivable due from MBTC relates to the leasing consideration due on the sub-lease of office space and equipment amount to \$25,300. The carrying amount of the trade receivable is considered a reasonable approximation of fair value as this financial asset is expected to be paid in March 2016 in accordance with the agreement, such that the time value of money is not significant.

The trade receivable due from contract commitments in relation to hash power sale agreements amounting to \$45,320. The carrying amount of the contract commitments is considered a reasonable approximation of fair value as this financial asset is expected to be paid within 6 months in accordance with the agreements, such that the time value of money is not significant.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. No trade and other receivables were found to be impaired

None of the unimpaired trade and other receivables were past due as at the reporting date.

#### a. Financial assets classified as loans and receivables

Trade and other receivables:

- total current	365,751
- total non-current	-
	<u>365,751</u>

### NOTE 10: INTANGIBLE ASSETS

CURRENT	
- Bitcoins at fair value	475,121
	<u>475,121</u>

As at 30 June 2015, there were 1,378.52 Bitcoins held by third parties on behalf of Bitcoin Group Ltd of which 758.68 Bitcoins were controlled by Ryan Xu on behalf of the company. These Bitcoins were valued at its fair value using the closing price listed as at 30 June 2015 of \$345 per Bitcoin on the <http://bitcoincharts.com/charts/anhkAUD>.

# Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 11: OTHER ASSETS

	2015
	\$
CURRENT	
Prepayments	1,165,707
	<u>1,165,707</u>
NON-CURRENT	
Rental security deposit	42,079
Other	2,197
	<u>44,276</u>

\$754,104 paid to suppliers for hash power purchase contracts related to hash power not yet generated have been recognised in prepayments..

### NOTE 12: PLANT AND EQUIPMENT

#### Plant and Equipment

At cost	1,233,837
Accumulated depreciation	(270,372)
	<u>963,465</u>

#### a. 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 period:

	Plant and Equipment	Total
	\$	\$
Balance at 4 September 2014	-	-
Additions	1,233,837	1,233,837
Depreciation expense	(270,372)	(270,372)
<b>Carrying amount at 30 June 2015</b>	<u>963,465</u>	<u>963,465</u>

## Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

#### NOTE 13: TRADE AND OTHER PAYABLES

	Note	2015
		\$
CURRENT		
Unsecured liabilities:		
Trade payables		292,254
Other payables and accrued expenses		32,302
		324,556
<b>a. Financial liabilities at amortised cost classified as trade and other payables</b>		
Trade and other payables:		
– total current		324,556
– total non-current		-
Financial liabilities as trade and other payables		324,556

The Group has recognised liabilities representing current and potential exposure issued to third parties in relation to obligations under its buy back arrangements on hash power contracts, amount to \$45,320.

The average credit period on trade and other payables (excluding GST payable) is 30 days. No interest is payable on outstanding payables during this period.

#### NOTE 14: BORROWINGS

CURRENT		
Loan from Directors - unsecured	18	225,000
		225,000

#### NOTE 15: TAX

CURRENT		
Income tax payable		-
		-

	Opening Balance	(Charged) / Credited to Profit or Loss	(Charged) / Credited Directly to Equity	Closing Balance 2015
	\$	\$	\$	\$
<b>Deferred tax liability on:</b>				
Losses/(gains) on available-for-sale intangible assets	-	64,090	11,734	75,824
	-	64,090	11,734	75,824
<b>Deferred tax asset on:</b>				
Tax losses	-	33,043	-	33,043
Accruals	-	13,709	-	13,709
	-	46,752	-	46,752
	-	17,338	11,734	29,072

## Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

#### NOTE 16: ISSUED CAPITAL

	<b>2015</b>
	<b>\$</b>
58,031,350 fully paid ordinary shares	2,580,520
	2,580,520

#### a. Ordinary Shares

	Number of shares
At the beginning of the reporting period	
Shares issued during the period:	
4 September 2014	100
20 February 2015	400,000
27 February 2015	42,500,000
2 March 2015	1,631,250
8 March 2015	13,500,000
At the end of the reporting period	58,031,350

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

#### b. Capital Management

Management controls the capital of the Group in order to maintain a sufficient debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The Group's capital management strategy is to ensure that the Group's gearing ratio is no more than 20%. The gearing ratio for the period ended 30 June 2015 is as follows:

	<b>Note</b>	
Total borrowings	14	225,000
Trade and other payables	13	324,556
Less cash and cash equivalents	8	(235,645)
Net liabilities		313,911
Total equity		2,635,062
 Gearing ratio		 12%

# Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 17: CASH FLOW INFORMATION

a. **Reconciliation of cash flow from operations with profit after income tax**

Operating profit after income tax	33,968
Non-cash flows in profit settled in bitcoins:	
- Revenue from bitcoin mining	(1,791,264)
- Payments to suppliers & employees	760,821
Non-cash flows in profit from ordinary activities:	
- Depreciation & Amortisation	270,583
- Effect of foreign exchange transactions	24,559
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:	
- (Increase) in trade and sundry debtors	(365,354)
- (Increase) in prepayments	(1,165,707)
- Increase in trade creditors and accruals	303,074
- Increase in deferred tax payable	29,072
Net cash provided by operating activities	<u>(1,900,248)</u>

b. **Non-cash operating, investing and financing activities**

Bitcoin mining costs

During the financial period, the consolidated group paid bitcoin mining related costs with an aggregate cost of \$622,567 by means of Bitcoins. These acquisitions are not reflected in the statement of cash flows.

Employment costs

During the financial period, the entire employees' salary and bonuses were paid by Bitcoins. These payments are not reflected in the statement of cash flows.

Property, plant and equipment:

During the financial period, the consolidated group acquired plant and equipment with an aggregate cost of \$587,363 by means of Bitcoins. These acquisitions are not reflected in the statement of cash flows.

## Bitcoin Group Ltd and Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

#### NOTE 18: RELATED PARTY TRANSACTIONS

##### Related Parties

The Group's main related parties are as follows:

##### a. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 6.

##### b. Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

##### c. Transactions with related parties

The following transactions occurred with related parties:

	Note	2015 \$
(i) <i>Trade and other receivables</i>		
Key management personnel:		
Receivable:		
- beginning of the period		-
- receivable		294,731
- end of the period		294,731

Receivables include foreign currency equivalent of \$330,926 controlled by the Directors for the business operations. These foreign currency were held in the foreign bank by the following directors:

- Allan Guo – \$107,783
- Ryan Xu – \$186,948

##### (ii) Borrowings

Key management personnel:

Payable:

- beginning of the period		-
- payable		225,000
- end of the period	14	225,000

Director	Amount \$	Term	Repayment
Samuel Lee	25,000	Without any interest payable	Upon successful listing of Bitcoin Group to the ASX
Allan Guo	25,000	Without any interest payable	Upon successful listing of Bitcoin Group to the ASX
Ryan Xu	25,000	Without any interest payable	Upon successful listing of Bitcoin Group to the ASX
Xiangdong Gao	150,000	Without any interest payable	Upon successful listing of Bitcoin Group to the ASX

##### (iii) Bitcoins controlled by Directors on behalf of the Group:

758.68 Bitcoins with fair value of \$261,438 was controlled by Ryan Xu as at 30 June 2015 on behalf the Group.

## Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

#### NOTE 19: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and leases

The totals for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

Financial assets	Note	2015
		\$
Cash and cash equivalents		235,645
Loans and receivables	9	365,751
<b>Total financial assets</b>		<b>601,396</b>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost:		
- trade and other payables	13	360,831
- directors' loan	14	225,000
<b>Total financial liabilities</b>		<b>585,831</b>

#### Financial Risk Management Policies

The directors' overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for group operations. The Group does not have any derivative instruments at 30 June 2015.

#### Specific Financial Risk Exposures and Management

The main risks the Group is exposed to a variety of financial risks including bitcoin price risk, foreign exchange risk, credit risk, liquidity risk, and market risk relating to interest rate risk and other price risk.

##### a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the finance committee has otherwise assessed as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

##### *Credit risk exposures*

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at board level, given to third parties in relation to obligations under its bank bill facility.

# Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group has significant concentrations of credit risk with its directors due to financial assets held in the name of its directors in foreign currency amounting to \$294,731 as at 30 June 2015 for the convenience of business operations.

Details with respect to credit risk of trade and other receivables are provided in Note 9.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 9.

	Note	2015
		\$
Cash and cash equivalents:		
– AA rated		235,645
	8	235,645

#### b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. The Group does not hold any derivative financial liabilities directly.

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 timings of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates.

#### *Financial liability and financial asset maturity analysis*

	\$	\$	\$	\$
	Less than 30 days 2015	30-90 days 2015	Over 90 days 2015	Total 2015
<b>Financial liabilities due for payment</b>				
Trade and other payables	279,236	45,320	-	324,556
Borrowings payable to related parties	-	-	225,000	225,000
Total contractual outflows	279,236	45,320	225,000	549,556
Total expected outflows	279,236	45,320	225,000	549,556

# Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)

	Less than 30 days	30-90 days	Over 90 days	Total
	2015	2015	2015	2015
	\$	\$	\$	\$
<b>Financial assets – cash flows realisable</b>				
Cash and cash equivalents	235,645	-	-	235,645
Trade, term and loan receivables	294,731	45,320	25,700	365,751
Other investments	-	-	-	-
Total anticipated inflows	530,376	45,320	25,700	601,396
Net (outflow)/inflow on financial instruments	251,140	-	(199,300)	51,840

### NOTE 20: FAIR VALUE MEASUREMENTS

The Group measures and recognises the Bitcoins at fair value on a recurring basis after initial recognition:

#### a. Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

#### Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

# Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 20: FAIR VALUE MEASUREMENTS (CONTINUED)

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

		30 June 2015			
	Note	Level 1	Level 2	Level 3	Total
		\$	\$	\$	\$
<i>Non-financial assets</i>					
Bitcoins	10	475,121	-	-	475,121
<b>Total non-financial assets recognised at fair value</b>		<b>475,121</b>	<b>-</b>	<b>-</b>	<b>475,121</b>

### NOTE 21: OTHER COMPREHENSIVE INCOME

	2015
	\$
Net fair value gains(losses) on Bitcoins:	
- fair value gains on remeasurement of Bitcoins	39,112
less deferred tax liabilities	(11,734)
- realised gains (losses) transferred to retained earnings	(9,720)
add deferred tax assets	2,916
Total other comprehensive income for the period	20,574

## Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

#### NOTE 22: INTEREST IN SUBSIDIARIES

##### a. Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation or registration.

Name of subsidiary	Principal place of business	Ownership interest held by the Group
		2015 (%)
Bitcoin Mining Pty Ltd	Melbourne, Australia	100%
Bit Fund Pty Ltd	Melbourne, Australia	100%
Bit Technology Pty Ltd	Melbourne, Australia	100%

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

- (i) These subsidiaries are members of the tax consolidated group. Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

##### b. Significant Restrictions

There are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

#### NOTE 23: CAPITAL AND LEASING COMMITMENTS

The Group leases its office premises under operating leases. The leases typically run for a period of three years, with an option to renew the lease after that date. Lease payments are increased every year to reflect market rentals.

Three hash power purchase agreements have been entered to purchase of specified hash rate for a term of one year.

At 30 June 2015, Bitcoin Group Ltd had entered into contractual commitments for the acquisition of 939 units of Bitcoin mining machines for the amount of \$504,175.

	2015 \$
<b>Operating Lease Commitments</b>	
Payable - minimum lease payments	
- not later than 12 months	144,113
- between 12 months and five years	156,091
Hash power purchase agreements	
- not later than 12 months	2,265,153
- Prepayments	(754,104)
	<u>1,511,049</u>

## Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

#### NOTE 24 CONTINGENT LIABILITIES

##### Estimates of the potential financial effect of contingent liabilities that may become payable:

At 30 June 2015, Bitcoin Group Ltd has submitted its IPO application to ASIC. In the event of successful listing on the ASX, the employees and Executive Directors of Bitcoin Group may be eligible to receive a one-off cash bonus (Listing Bonus) in recognition of their efforts in assisting with achieving the list of the Group. The Listing Bonus is the lesser of 5% of capital raised and \$500,000. The amount paid to each individual will be at the discretion of the Remuneration Committee with recommendations by the Board. The maximum amount payable to an individual is \$150,000. The Listing Bonus will be paid within 60 days of admission to the Official List.

#### NOTE 25: EARNINGS PER SHARE

	2015
	\$
a. Reconciliation of earnings to profit or loss:	
Profit	33,968
Earnings used to calculate basic & dilutive EPS	33,968
	<b>No.</b>
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	23,380,933
Weighted average number of dilutive options outstanding	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	23,380,933

#### NOTE 26: EVENTS AFTER THE REPORTING PERIOD

Bitcoin Group is in the process to raise capital through IPO listing on the Australian Stock Exchange (ASX). A first Replacement Prospectus was lodged with Australian Securities and Investment Commission on 4 September 2015 and a second Replacement Prospectus will be lodged in December 2015 with anticipated listing on ASX in January 2016.

In the opinion of the Directors, other than the disclosures mentioned above, there was no other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations in future financial years., or the state of affairs of the consolidated group in future financial periods.

#### NOTE 27: COMPANY DETAILS

The registered office of the company is:

Level 1, 89-91 City Road  
SOUTHBANK VIC 3006

The principal place of business is:

Level 1, 89-91 City Road  
SOUTHBANK VIC 3006

## Bitcoin Group Ltd and Controlled Entities

ABN: 82 601 628 497

### DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Bitcoin Group Ltd, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 36, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 30 June 2015 and of the performance for the period ended on that date of the consolidated group.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



**Sam Lee**

Director

Melbourne, 23 December 2015

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BITCOIN GROUP LIMITED AND CONTROLLED ENTITIES**

### **Report on the Financial Report**

We have audited the accompanying financial report of Bitcoin Group Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 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 period's ended or from time to time during the financial period.

#### *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 (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

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

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

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

#### *Independence*

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

*Opinion*

In our opinion:

- a) the financial report of Bitcoin Group Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entities' financial position as at 30 June 2015 and of their performance for the period 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 Note 1.

*ShineWing Australia*

SHINEWING AUSTRALIA  
Chartered Accountants



Rami Eltchelebi  
Partner

Melbourne, 23 December 2015