

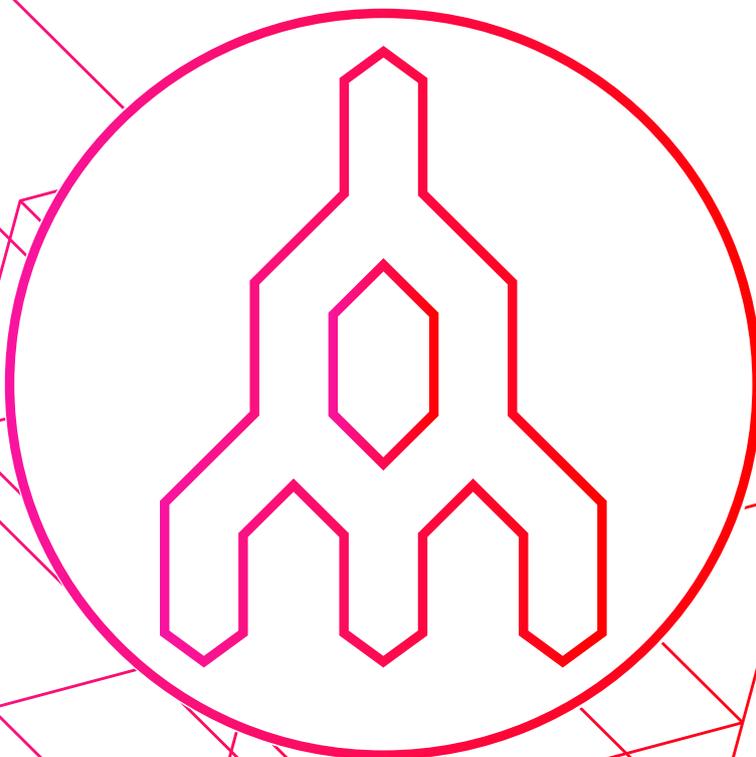


APPENDIX 4E ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

ABN: 46 607 301 959

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Appendix 4E

The following information sets out the requirements of the Appendix 4E of Megaport Limited ('the Company') with the stipulated information either provided here or cross referenced to the Annual Report for the financial year ended 30 June 2018.

This Appendix 4E covers the reporting period from 01 July 2017 to 30 June 2018. The previous corresponding period is 1 July 2016 to 30 June 2017.

Results for Announcement to the Market

Summary of Financial Information

	01 July 2017 to 30 June 2018	01 July 2016 to 30 June 2017	Change \$	Change %
Revenue from ordinary activities	19,753,170	10,668,613	9,084,557	85%
Profit/(loss) from ordinary activities after tax attributable to members	(24,463,149)	(29,934,907)	5,471,758	18%
Net profit/(loss) for the period attributable to members	(24,463,149)	(29,934,907)	5,471,758	18%

Dividends

No dividend has been proposed or declared for the year ended 30 June 2018.

Commentary on the Results for the Period

Refer to Media Release – FY18 Full Year Results and Global Update – for the year ended 30 June 2018 and the Director's Report 'Review of Operations' section in the 30 June 18 Annual Report for commentary on the results for the year and explanations to understand the Group's revenue and profit/(loss) from ordinary activities.

Financial Statements

Refer to the Financial Report in 30 June 2018 Annual Report for the following statements and the accompanying notes, including the specific disclosures:

- Consolidated Statement of Profit or Loss and Other Comprehensive Income
- Consolidated Statement of Financial Position
- Consolidated Statement of Cash Flows
- Consolidated Statement of Changes in Equity

Each statement includes note references to disclosures prepared in accordance with Megaport's Statement of Compliance (refer to Note 1(b) in the Financial Report in 30 June 2018 Annual Report).

Net Tangible Asset Backing

	30 June 2018 cents	30 June 2017 cents
Net tangible asset backing per ordinary share	60.21	24.83

The number of Megaport shares on issue at 30 June 2018 is 117,803,182 (2017: 88,234,994).

Details of entities where control has been gained or lost during the period

During the year this entity was acquired. Refer to note 27(a) in the Financial Report in 30 June 2018 Annual Report for further details.

Name of Entity	Country of incorporation	Date control obtained	% of equity held by immediate parent
Control obtained			
Eastern Voice Link EOOD	Bulgaria	14 May 2018	100

There are no entities over which control has been lost during the year. However, the directors decided to de-register the Company's wholly owned non-operating subsidiaries, Megaport Networks (Espana) S.L and Megaport (Italia) S.R.L and Megaport (Deutschland) Gmbh during the year.

Details of Associates and Joint Ventures

There are no associates or joint ventures of the Company.

The information provided in the Appendix 4E is based on the 30 June 2018 Annual Report, which has been prepared in accordance with the Corporations Act 2001, and Australian Accounting Standards and Interpretations issued by the Australian Standards Board.

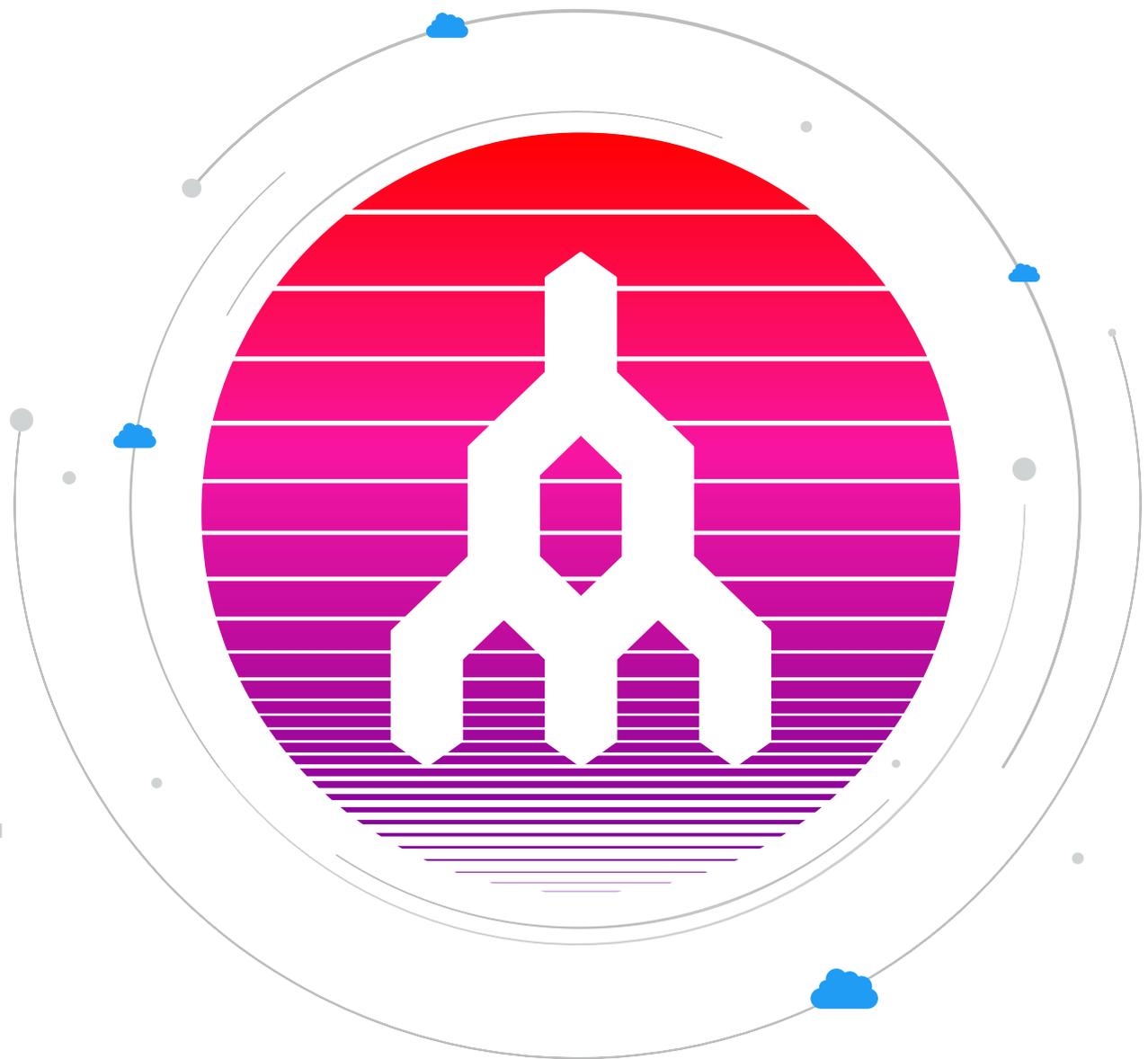
The 30 June 2018 Annual Report has been audited and is not subject to audit dispute or qualification.

Annual Report

30 JUNE 2018 | ABN: 46 607 301 959



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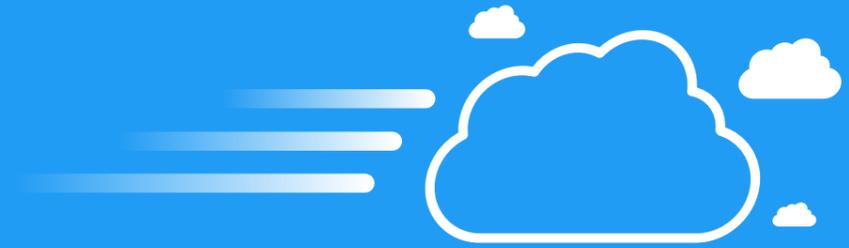
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Our vision is to revolutionise global connectivity.

 Megaport is the global Network as a Service provider. We empower customers with advanced connectivity services via a robust ecosystem and virtualised network that is on demand and easy to use.

 **Vincent English**
CEO

2018 AT A GLANCE



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Total Number of Data Centres

165

30 June 2017



221

30 June 2018



Total Number of Ports

1,829

30 June 2017



2,755

30 June 2018



Total Number of Services

3,764

30 June 2017



6,567

30 June 2018



Total Number of Customers

738

30 June 2017



1,038

30 June 2018



Monthly Recurring Revenue*

\$1.2M

June 2017



\$2.0M

June 2018



Annualised Revenue^

\$14.6M

June 2017



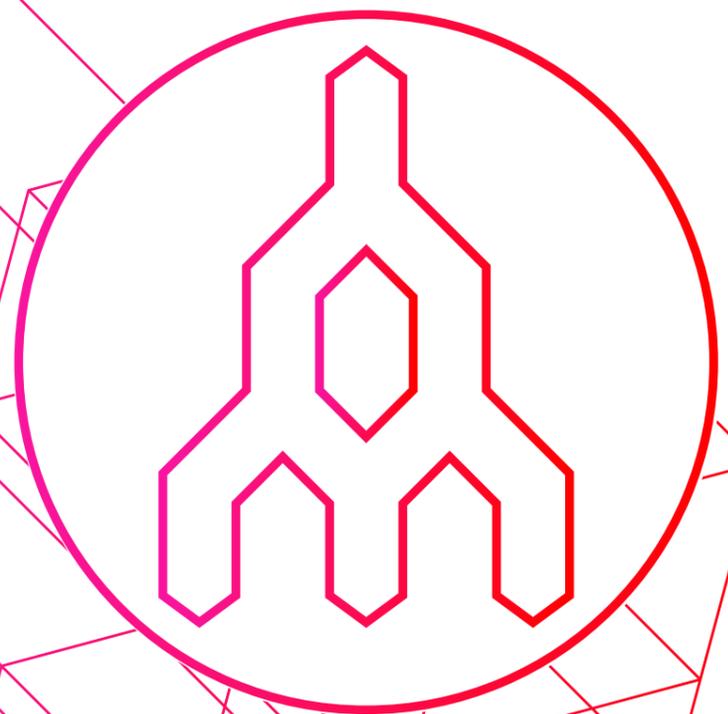
\$23.8M

June 2018

*Monthly Recurring Revenue (MRR) is revenue for the month of June

^Annualised Revenue is MRR for the month of June multiplied by 12

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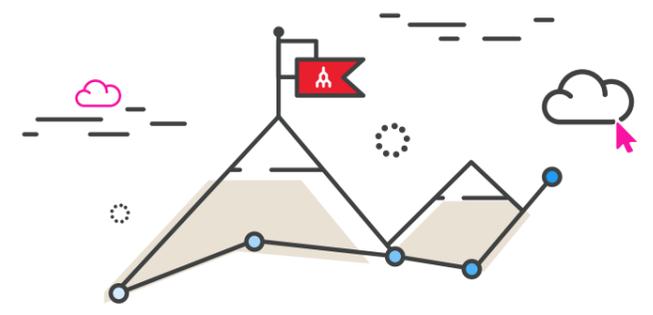
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CHAIRMAN'S LETTER



Dear Shareholders,

I am honoured to present you with the Fiscal Year 2018 Chairman's Report for Megaport Limited. Since its founding in Brisbane, Australia in 2013, Megaport has transformed from a regional provider of elastic interconnection services into a global leader that has revolutionised the way companies interconnect to the services they need.

During the last two decades, many aspects of the IT services model have become virtualised. We are now seeing servers, storage, software, and applications being consumed via cloud providers; available on demand and off-premises via pay-as-you-go models. However, even within this cloud-first landscape, the mechanism that literally connects digital services together – the network – has until recently been neglected in the virtualisation cycle.

Megaport has pioneered the virtualisation of the network and data interconnection, becoming the leader in the Network as a Service space. Through Software Defined Networking, we have fundamentally transformed the customer buying journey for interconnection services, making it easier than ever to get connected. By aligning this buying experience to the consumption model that cloud services typically encompass, we've helped our customers streamline their business operations. This means they can spend less time worrying about resource-intensive planning and capacity deployment processes and instead focus on their core business challenges. With the capability of provisioning high-performance and fast connectivity to mission-critical services, they can be hyper-responsive to ever-changing business demands.

Affirming our commitment to virtualising the network, we launched our own virtual routing platform called Megaport Cloud Router (MCR) in January 2018. MCR enables our customers to access advanced routing capabilities at any MCR enabled location throughout the world without the need to own, deploy, and directly operate physical routing gear.

This service unlocks dynamic use cases across the Megaport interconnection fabric such as cloud-to-cloud networking which is a critical component in ensuring cloud-enabled IT architectures are secure, scalable, and perform to meet user and customer demand.

Since the beginning, neutrality has played a key role in our success and we are absolutely committed to maintaining our neutral model. This is what has allowed us to grow the Megaport ecosystem to include the global top seven cloud service providers which represent over 70% of cloud market share. Neutrality allows us to work with, as of today, 68 unique data centre operators to create a footprint of over 220 locations around the world. Neutrality forms the bedrock of trust that over 1000 customers have put into Megaport to deliver the connections that power their businesses.

With another year of record revenue growth behind us, Megaport is looking to the future. Our strategic capital raising in March 2018, with commitments from leading US-based institutional investment firms, empowers us to make the investments necessary to deploy to more locations, develop more capabilities, enrich our ecosystem, and hire strong talent to keep Megaport out in front as the leader in the interconnection market.

I'd like to thank the entire Megaport team led by CEO Vincent English who have driven our success. It is this team that is positioning Megaport for greater growth and future success as we fundamentally transform the way data is moved around the world. I'd also like to thank our many customers, partners and you our shareholders for supporting our vision. I look forward to hopefully seeing you at our Annual General Meeting.

Sincerely,

Bevan Slattery
Chairman and Executive Director
Megaport Limited
22 August 2018

FY18 HIGHLIGHTS

Megaport's vision is to be the global leading Network as a Service provider.

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Profit after direct network costs

FY18
\$4.5M
↑ Increase: \$5.1M
FY17: (\$0.6M)
Profit % after direct network costs
FY18 **23%**


Cloud service providers integrated into Megaport

TOP 7
AWS, Google Cloud, Microsoft Azure, IBM Cloud, Oracle Cloud, Alibaba Cloud, Salesforce Cloud


Strategic capital raising activities completed

\$87.8M*


Megaport Exchange

300+
Service providers on Megaport's self-service Marketplace


MRR (Monthly Recurring Revenue)

UP **63%**
AT **\$2.0M**


Cloud Regions & On-ramps

Cloud on regions
19 NEW | **62** TOTAL
Cloud on-ramps
46 NEW | **108** TOTAL


Global Presence

At 30 June 2018
221 Across **53**
Locations Markets
30 June 2017: 165 locations across 41 markets


Megaport Locations

Asia-Pacific	North America	Europe
59 2017: 47	100 2017: 61	62 2017: 57

*Includes \$60M placement and share purchase plan announced on 20 March 2018 and \$27.8M placement announced on 28 June 2017 (for which the shares were issued in July 2017)



LETTER FROM THE CEO



Dear Shareholders,

Megaport has had another incredible year. As a team, we have broken new records across the board. Fiscal year 18 saw us achieve a milestone of two million dollars in monthly recurring revenue.

Our most mature market, Australia, reached a 62% gross margin position even as we expanded to new data centres and new markets. We onboarded 300 new customers across many verticals and sizes – from Fortune 100 companies to SMEs – with a common goal of enabling their business in the cloud. In fact, we achieved our 1000th customer in June. We accomplished all of this while continuing to make appropriate investments to drive our business, and position Megaport to capture the emerging cloud connectivity market.

It is enviable to be an industry first mover. Pioneering the SDN space, by establishing a new level of connectivity within the IT landscape, has allowed us to build a highly-defensible market position. Megaport added 56 locations this year. Many of the new locations exist within markets where enterprises are enabling their IT infrastructure. These enterprises demand connectivity to the services necessary to power and future-proof their businesses.

New markets added this year include Atlanta, Phoenix, Philadelphia, Denver, Columbus, Minneapolis, Kansas City, and Canberra. Businesses within these markets are looking to directly connect with cloud services without the need to move their existing infrastructure to locations with cloud onramps. Megaport brings the cloud right to the doorstep of the enterprise.

At the same time, being the first mover comes with a unique set of challenges. Any new technology or concept requires considerable efforts in educating the market. Many enterprises have discovered the hard way that mission-critical public cloud applications do not perform to their requirements across the public internet. Latency, security, and scalability are all concerns when cloud-enabled applications

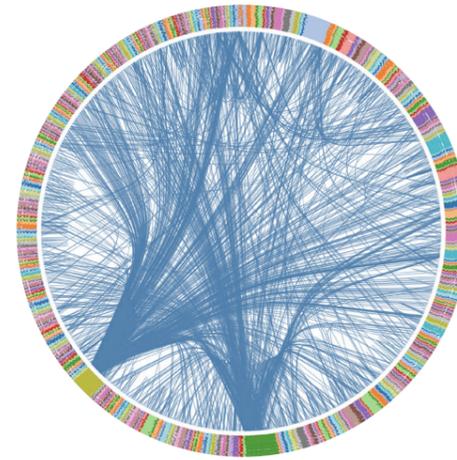
are accessed via internet connections. This year, Megaport made significant investments in educating the enterprise on how network services are evolving. Driving a next-generation cloud connectivity solution, we are helping companies to scale cloud services in a way that meets or exceeds performance expectations. In doing so, we are continuing to stay ahead of the demand curve.

We have built up a portfolio of industry partners to help us take on these challenges. Our partnerships with leading cloud providers such as AWS, Microsoft, Google, Alibaba, and Oracle have enabled us to spread the word about direct cloud connectivity. We have run extensive education workshops with our cloud and data centre partners. Megaport has led Alpha and Beta testing of new direct connectivity services including Google Cloud Partner Interconnect. Cloud providers have come to rely on Megaport to extend the reach of their services and quickly get their customers connected from our neutral platform which empowers 68 unique data centre operators globally. Our data centre partners have come to rely on Megaport to bring the most extensive ecosystem of service providers to their customers.

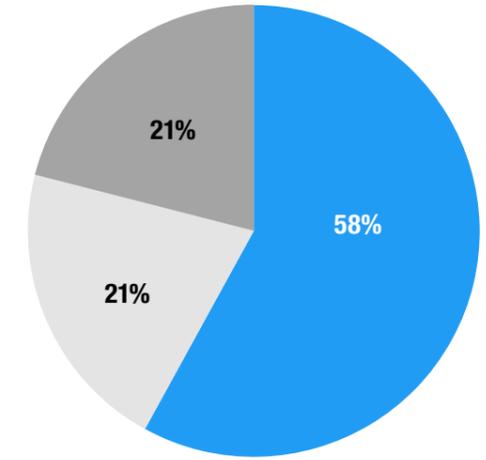
This year, we increased the value of our cloud provider ecosystem with the addition of IBM Cloud and Salesforce. Each of the top cloud providers in our ecosystem has developed unique capabilities that differentiate their services. This way, our customers are able to choose and connect with the providers that work best for their needs, facilitating a true multicloud model. In Fiscal Year 2018, the number of Megaport customers accessing multicloud directly grew 208%. Today, Megaport is connected to more cloud onramps than any other SDN or interconnection fabric.



Megaport Service Connections



Ports Services



● Direct Public Cloud ● Private Connection ● Internet Exchange

We added 46 this year, bringing our total to 108 cloud onramps globally. This is driving significant uptake in direct cloud connectivity with 58% of all connections on our platform today directly connecting enterprises to cloud services. This all translates to more value for our customers and more opportunities to accelerate cloud adoption rates.

As part of the original Megaport global strategy, we have made investments to capture the tremendous opportunities in North America, where we now have over 100 locations enabled. This market, while still at the leading edge of the cloud adoption cycle, is experiencing accelerated uptake in cloud services. US-based customers utilise more services and spend more with Megaport from the moment they join the network compared to any other region to date.

Megaport also enables an interconnection platform capable of rapidly scaling connectivity across a variety of data networking applications. Through the Megaport SDN, service providers can effectively extend the reach of their network to new geographies and markets without the need to deploy capital-intensive equipment. They can rapidly and cost-effectively connect directly with partners in their value chain, reach new customers, and grow their target addressable market. As we expand the reach of the Megaport SDN, we will continue to focus on bringing together digital supply chains that can benefit from localised interconnection, at the right location, with the right amount of capacity, to the right partner.

In March this year, the company undertook a Strategic Capital Raising of \$60m to support and drive our continued expansion to new markets and data centres, develop new product initiatives, and accelerate sales growth.

In Fiscal Year 2019, we will continue to deepen our ecosystem with service providers that are driving the future of cloud services and develop more features to further virtualise the network. Taking a cue from our launch of Megaport Cloud Router, we will continue to produce powerful new tools enabling our customers to further realise the value of Networking as a Service.

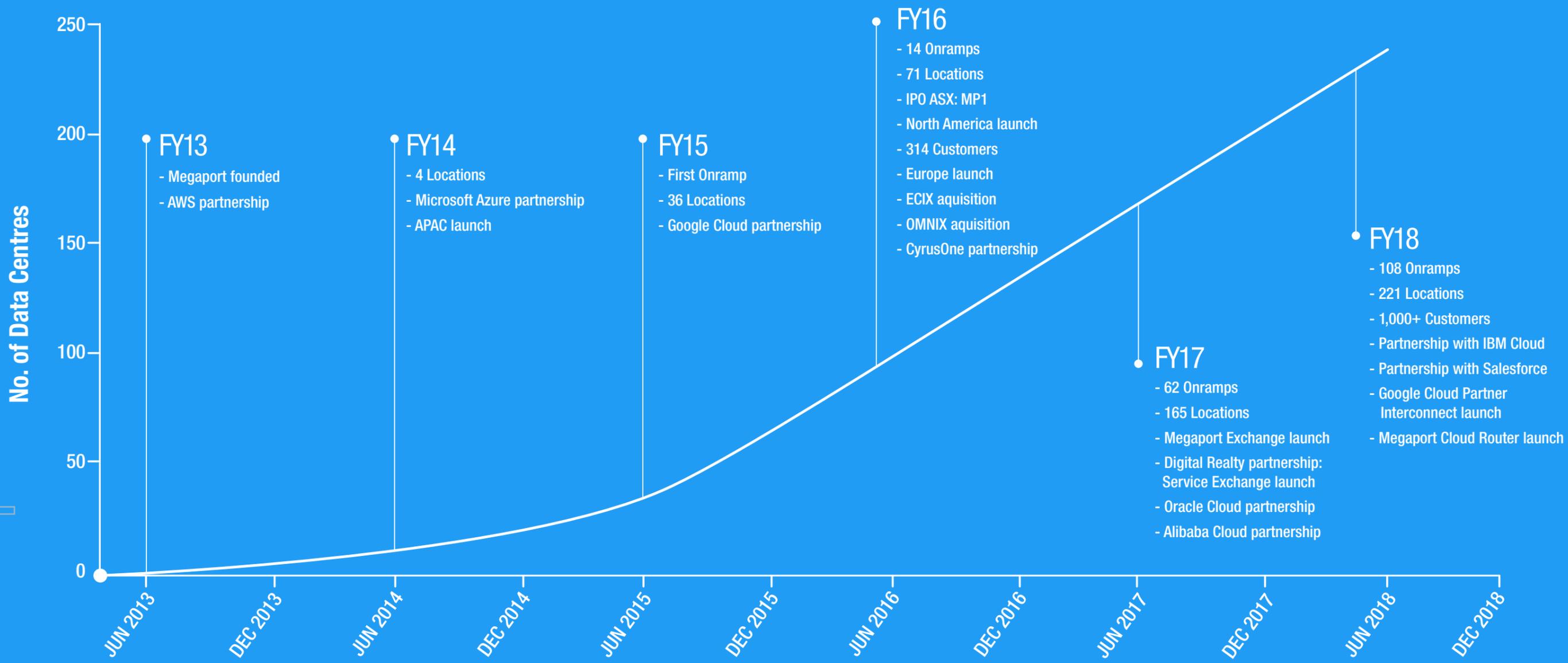
I would like to thank the amazing Megaport team who continue to inspire me, everyday, with the hard work and passion they bring to our company. Each one of our team members embodies a customer-first attitude which shines through in everything we do. On behalf of the entire team, I sincerely thank you for your investment in Megaport.

Sincerely,

Vincent English
CEO
Megaport Limited
22 August 2018

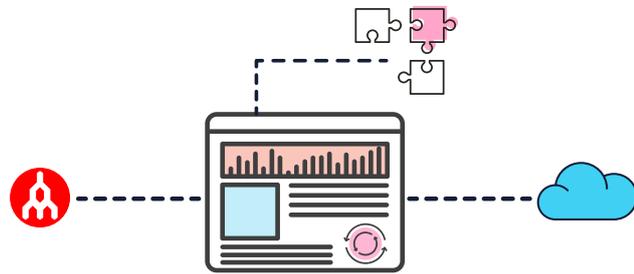
MILESTONES

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DIRECTORS' REPORT



The Directors present their report on the consolidated entity consisting of Megaport Limited (referred to as 'the Company' or 'Megaport') and the entities it controlled (referred to as 'the Group' or 'the consolidated entity') at the end of, or during, the year ended 30 June 2018.

Directors and Company Secretary

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

- Bevan Slattery
- Vincent English
- Drew Kelton
- Simon Moore
- Peter Hase

The Company Secretary is Celia Pheasant. Celia was appointed to the position of Company secretary in 2015.

Principal activities

During the year, the Group engaged in its principal activities, being:

- the provisioning of on-demand elastic interconnection services;
- the provisioning of internet exchange services;
- the addition and integration of new service providers into the Ecosystem; and
- continuing to expand the geographic footprint of its Network and services Fabric.

Dividends

Dividends were neither paid nor declared during the year.

Review of operations

Group overview

Megaport's platform uses Software Defined Networking to enable customers to connect to hundreds of leading service providers in a flexible, on-demand, and cost-effective way.

The first of its kind, and the leader in the market, the Group's Network has changed the way enterprise companies consume connectivity services by creating a model that is more intuitive and customer-centric than the traditional telecommunications paradigm.

In order to align its services closely with cloud compute and storage consumption models, the Group's business plan involves providing a self-serve environment for interconnection. Megaport enables rapid connectivity to its partner data centres, network service providers, managed service providers, collectively known as the Ecosystem.

Customers provision connections to the Ecosystem by acquiring 'Megaports' (ports) and building Virtual Cross Connects (VXCs) to their chosen destinations. Alibaba Cloud Technology Partner, Oracle Cloud Partner, AWS Technology Partner, Microsoft Azure Express Route Partner, Google Cloud Interconnect Partner, IBM Direct Link Cloud Exchange provider, and Salesforce Express Connect Partner.

Connectivity services can be directly controlled by customers via mobile application, Megaport's portal, and its open Application Programming Interface (API). The Group's extensive footprint across North America, Asia Pacific, and Europe makes up a neutral platform that spans key global locations.

Megaport's vision is to be the global leading Network as a Service provider.

At the year ended 30 June 2018, the Group has a global presence of 221 locations across 53 markets (2017: 165 locations across 41 markets). Of the Group's total locations, Asia Pacific has a regional presence of 59 locations (2017: 47); North America has 100 locations (2017: 61); and Europe has 62 locations (2017: 57).

The total ports on the Group's Network at 30 June 2018 was 2,755 (2017: 1,829).



Financial performance and position

Financial Performance	2018 \$	2017 \$	Change
Revenue	19,753,170	10,668,613	85%
Profit/(loss) after direct network costs ¹	4,488,673	(577,662)	Not meaningful
Normalised EBITDA ²	(22,143,578)	(23,780,229)	7%
Net loss for the year	(24,463,149)	(29,934,907)	18%

1. Revenue less direct network costs comprising data centre power and space, physical cross connect fees, bandwidth and dark fibre, network operation and maintenance, and channel commissions which are directly related to generating the service revenue of Megaport Group.

2. Normalised Earnings Before Interest Tax Depreciation and Amortisation (Normalised EBITDA) represents operating results excluding equity-settled employee benefit, foreign exchange gains / (losses) and non-operating expenses. Including these amounts, EBITDA would be (\$20,661,436) in FY18 and (\$25,926,754) in FY17. Refer note 3 in the financial statements for the reconciliation from Normalised EBITDA to the net loss for the year.

Business metrics	31 Dec 2016	30 Jun 2017	31 Dec 2017	30 Jun 2018	YoY ¹ Growth
Data centres (#)	141	165	185	221	34%
Cloud on-ramps (#)	28	62	102	108	74%
Customers (#)	621	738	860	1,038	41%
Ports (#)	1,479	1,829	2,259	2,755	51%
Total services (#)	2,768	3,764	5,041	6,567	74%
Monthly recurring revenue (MRR) ²	\$0.91m	\$1.22m	\$1.6m	\$2.0m	63%

1. Year-on-Year

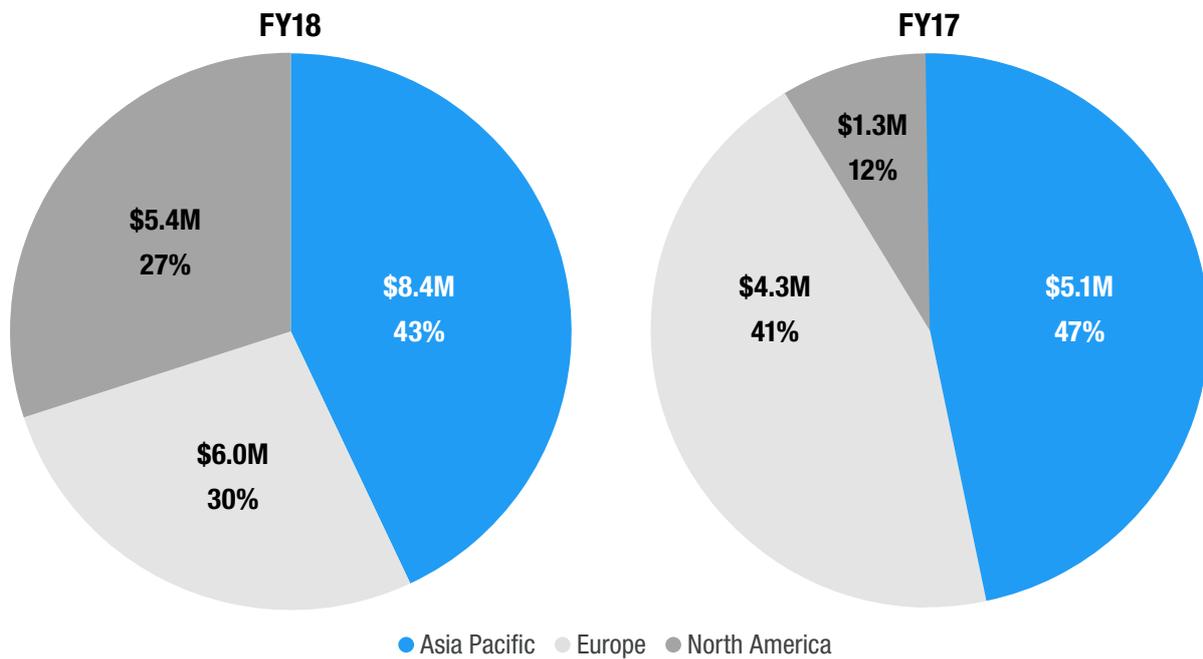
2. MRR represents revenue earned for services rendered to customers for the applicable month, that is also expected to continue in following months based on various factors, including customer contracts, ports, and locations.



During the year, Megaport has grown its number of enabled data centres by 34%, its number of customers by 41%, its number of ports and services sold to customers by 51% and 74% respectively, and its MRR by 63%. The Group's revenue for the year was \$19.8 million (2017: \$10.7 million). As detailed in the segment reporting note in the financial statements (note 3), this revenue was generated in the following business units: 43% in Asia Pacific (2017: 47%), 27% in North America (2017: 12%), and 30% in Europe (2017: 41%).

The Group's revenue for the year ended 30 June 2018 was up \$9.1 million, or 85% from the year ended 30 June 2017, which was driven by an increase in revenue of \$3.3 million or 66% in Asia Pacific, \$4.1 million or 314% in North America, and \$1.7 million or 39% in Europe.

The percentage of revenue from external customers generated by segment for the period ending 30 June 2018 and 30 June 2017 is illustrated in the graphs below:



The Group's profit after direct network costs was \$4,488,673 for the year ended 30 June 2018 (2017: loss \$577,662). The Asia-Pacific and European business units generated a profit after direct network costs for the year ended 30 June 2018.

In January 2018, the Group announced the launch of Megaport Cloud Router (MCR), a virtual routing service that enables customers to rapidly and privately connect at Layer 3 without the need to own or manage their own routers or physical infrastructure. MCR makes it easier for companies to connect to cloud services, expand their service footprint through Virtual Points of Presence (VPoPs), and peer with Ecosystem partners around the world without the need to physically deploy network infrastructure. MCR adoption is driving cloud-to-cloud connectivity across the Megaport Network.

During the fiscal year 2018, Megaport launched new cloud service provider partnerships with IBM Cloud and Salesforce.

The Group also deepened its existing relationships through the addition of several new cloud onramps; an increase of 74% connecting 108 onramps. Megaport also launched Google Cloud's Partner Interconnect and was a key alpha and beta partner.

Megaport continued investment in growing its global network footprint in new and existing markets while adding partnerships with data centre operators, managed service providers, and network service providers, extending the reach of the global Megaport Ecosystem and increasing value for customers. In June 2018, Megaport acquired its 1000th customer, achieved \$2.0 million of Monthly Recurring Revenue (MRR) and operated in 221 data centres globally; an increase of 34% since 30 June 2017.

The Group's net loss after income tax for the financial year amounted to \$24.5 million (2017: \$29.9 million).



Financial Position	2018	2017
	\$	\$
Net assets	80,203,563	30,223,200
Cash and bank balances at end of the year [^]	56,270,065	21,527,943

[^]includes bank term deposits

MegaPort continues to maintain a strong financial position with net current assets of \$49.7 million (2017: \$14.6 million), cash of \$56.3 million (2017: \$21.5 million), and total equity of \$80.2 million (2017: \$30.2 million).

Strategy and future performance

The Group continues to focus on its key strategic drivers, which are:

- Connect to new locations, partners, and enterprises;
- Accelerate partner enablement to maximise sales opportunity; and
- Strengthen our position as the leading innovator in global Network as a Service (NaaS).

Business risks

The material business risks faced by the Group that are likely to have an effect on its financial prospects include:

- **Dependence on personnel:** The Group requires staff to have a variety of skills and expertise, some of which may be considered niche specialties in which there are limited practitioners available for recruitment. Changes that adversely impact the Group's ability to attract and retain quality employees could materially adversely affect the Group's future financial performance and position.
- **Short operating record:** The Group is a recently established Company and has little operational track record with a number of the key personnel only recently appointed. The Group's operational business plan requires upfront capital investment, and there can be no assurance that subsequent operational objectives will be achieved.
- **Funding and capital:** The Group's business relies on the development of new markets, new locations, customer acquisition, retention investment, and ongoing maintenance of existing infrastructure and software platform. The Group requires sufficient access to capital to fund this expenditure. Failure to obtain capital on favourable terms may hinder the Group's ability to expand and pursue growth opportunities, which may reduce competitiveness and have an adverse effect on the financial performance, position and growth prospects of the Group. There is no assurance that additional funds will be available in the future, and/or be secured on reasonable commercial terms.
- **Interruptions to operations, infrastructure and technology failure:** The Group could be exposed to short, medium or long-term interruptions to its operations as it relies on infrastructure and technology to provide its services.
- **Competitive landscape and action of others:** The Group currently enjoys early mover advantage in its deployed markets. However, the Group may face competition from new entrants to the network-as-a-service and elastic fabric markets who may have significant advantages including greater financial, marketing and other resources.
- **Exchange rate movement:** The Group operates in foreign jurisdictions and as a result, fluctuations in applicable exchange rates, particularly the A\$/US\$ and A\$/EUR rate, may have an impact on the Group's financial position and performance.
- **Protection of intellectual property:** The Group's ability to leverage the value of network-as-a-service and SDN technology depends on its ability to secure ownership of and protect its intellectual property including any improvements to existing intellectual property.
- **Doing business outside of Australia:** The Group currently has operations in Australia, Singapore, Hong Kong, New Zealand, Europe, USA and Canada. Accordingly, the Group is exposed to a range of multi-jurisdictional risks such as risks relating to labour practices, environmental matters, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regime (including in relation to taxation and foreign investment and practices of government and regulatory authorities) and other issues in foreign jurisdictions in which the Group operates.



Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

Issued capital (net of share issue costs) increased by \$86.7 million during the year, which reflected the following capital raising transactions:

- On 4 July 2017, Megaport issued 13,235,249 shares at an issue price of \$2.10 per share, raising \$27.8 million. The shares were issued at a discount of 6.7% based on the last trading price on 27 June 2017. The transaction was fully underwritten by Morgans Corporate Limited and Royal Bank of Canada; and
- On 20 March 2018, Megaport announced it would raise \$50 million in new equity via a placement to institutions, sophisticated and professional investors (Placement) and up to \$10 million via a Share Purchase Plan (SPP) at an issue price of \$3.75 per share. The shares were issued at a discount of 7.4% to the last trading price on 19 March 2018. The Placement was fully underwritten by Royal Bank of Canada and Morgans Corporate Limited.

The net proceeds of the capital raisings have been used to expand Megaport's capability to deliver connectivity to a broader customer base outside of the current footprint, including via its new MCR service, and to consolidate its first-mover advantage. The funds will also be used to upgrade network capacity, accelerate expansion to new locations and new markets, and fund staffing, marketing and operating costs and general working capital requirements.

Megaport also issued 2,105,000 options granted under the Megaport Employee Share Option Plan (ESOP General), which are exercisable up to March 2022 (refer note 21 to the financial statements).

During the year, the Group invested \$16.0 million in rolling out additional data centres globally, particularly in North America and Europe, upgrading the network in North America to 100 Gigabytes, in software development and innovation including the Group's recently-launched MCR and intangible assets.

Events since the end of the financial year

No matter or circumstance has arisen since 30 June 2018 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

The 2018 financial year saw strong uptake in Megaport services, with the total number of services connected at 30 June 2018 up 74% compared with 12 months earlier. This was driven by demand for cloud and interconnection services, a trend that is expected to see continued demand for services provided by the Group.

Environmental regulation

The Group does not undertake activities that are expected to expose it to significant environmental risks. As a service-based organisation, Megaport's environmental footprint is relatively small and primarily comprises the energy used by our offices and data centres and the typical consumables of an office-based business.



Information on Directors and Company Secretary

The following information is current as at the date of this report.

Bevan Slattery

Chairman & Executive Director



Bevan Slattery is the Executive Chairman. Bevan has a background in building successful Australian IT and telecommunications companies and an earlier career in administration in local and state government.

In 2013, Bevan established Megaport as the world's first SDN-based elastic interconnection platform designed to provide a secure, seamless and on-demand way for enterprises, networks and services to interconnect. Bevan successfully launched Megaport in Australia, New Zealand, Singapore and Hong Kong before the business was acquired by Megaport Limited in August 2015. Bevan oversaw Megaport's listing on the ASX in December 2015.

Also in 2013, Bevan founded Superloop Limited with a vision to become the leading independent provider of connectivity services across the Asia Pacific region and the US. Superloop was listed on the ASX in July 2015.

In 2010 he founded NEXTDC Limited, with a vision to become Australia's largest independent datacenter provider. As the inaugural CEO of NEXTDC, Bevan oversaw its listing on the ASX and its initial facility rollout.

In 2002, Bevan co-founded PIPE Networks which grew to become Australia's largest Internet Exchange and Australia's third largest metropolitan fibre network provider. In 2009, PIPE Networks completed construction of Pipe Pacific Cable 1 (PPC-1), a \$200 million submarine cable system linking Sydney to Guam. PIPE Networks was sold to TPG for an enterprise value of \$420 million in May 2010.

Bevan holds a Master of Business Administration (Hon.) from Central Queensland University

Other current ASX directorships	Executive director of one other public company: Superloop Limited (ASX:SLC) (director since 2014)
Former ASX directorships In last 3 years	None
Special responsibilities	Chairman Member of the Remuneration and Nomination Committee
Interests in shares and options	26,337,607 fully paid ordinary shares (held directly) and 291,102 fully paid ordinary shares (held indirectly)



Vincent English

Chief Executive Officer & Executive Director



Vincent English is the Chief Executive Officer of Megaport and is also an Executive Director.

Vincent has a background in telecommunications and manufacturing industries with over 17 years combined international expertise in Finance and Operations. His diversified experience deploys best practice on cost-efficient start-ups, growth-focused and profitable operations.

Vincent has been a Chief Financial Officer for 10 years with Digicel Group, a multi-national telecommunications company. In 2005 as Chief Financial Officer, Vincent assumed responsibilities during an aggressive growth time in the Company's evolution, with nine country mobile phone network launches, integrating operations, establishing cohesive financial processes, rolling out processes companywide and devising synergies and cost savings.

As well as managing the financial operations in multiple markets, Vincent managed several acquisitions in mobile businesses, TV operations and financial services.

Prior to Digicel, Vincent worked in the manufacturing industry for Alcoa and Gillette in financial operations roles.

Vincent is an ACMA, CPA Australia, and member of the Australian Institute of Company Directors.

Other current ASX directorships	None
Former ASX directorships In last 3 years	None
Special responsibilities	Member of the Audit and Risk Committee (resigned 21 February 2018)
Interests in shares and options	27,482 fully paid ordinary shares (held directly) and 43,114 fully paid ordinary shares (held indirectly) 600,000 options over ordinary shares (held directly)

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Drew Kelton

Non-Executive Director



Drew Kelton is a global business leader and professional board director. With over 30 years' experience in the ICT and telecommunications arena, he held senior operational roles in the UK, Europe, India, Australasia and most recently, the US. In addition to executive leadership roles in global organisations, he has also been responsible for startups, M&A transactions and the IPO of one of those businesses. Drew would describe himself as a "professional entrepreneur".

Drew holds a Bachelor of Science with commendation in Electrical and Electronic Engineering from the University of Western Scotland. He is a Chartered Engineer with the Institute of Electrical and Electronic Engineers.

Other current ASX directorships	Firstwave Cloud Technology Limited (ASX:FCT) (appointed 8 March 2016)
Former ASX directorships In last 3 years	Mobile Embrace Limited (ASX:MBE) (resigned 30 June 2018) Enice Holding Company Limited (ASX:ENC) (resigned 22 August 2017)
Special responsibilities	Chair of the Remuneration and Nomination Committee Member of the Audit and Risk Committee
Interests in shares and options	25,000 fully paid ordinary shares (held indirectly) 100,000 options over ordinary shares (held indirectly)

Simon Moore

Non-Executive Director



Simon Moore is Senior Partner at Colinton Capital Partners, an Australian mid-market private equity fund manager.

From 2005 until December 2016, Simon was a Managing Director and a Global Partner of The Carlyle Group. Prior to joining The Carlyle Group, Simon was a Managing Director and Investment Committee Member of Investcorp International, Inc., based in New York. Prior to that, Simon worked in private equity investments and investment banking at J.P. Morgan & Co. in New York, Hong Kong and Melbourne.

Simon holds a Bachelor of Commerce (Hons) and a Bachelor of Law (Hons) from the University of Queensland.

Other current ASX directorships	TPI Enterprises Limited (ASX:TPE) (appointed 1 June 2016) FirstWave Cloud Technologies Limited (ASX:FCT) (appointed 1 March 2017)
Former ASX directorships In last 3 years	Qube Holdings Limited (ASX: QUB) (resigned 1 September 2016) Healthscope Limited (ASX:HSO) (resigned 31 December 2015)
Special responsibilities	Chair of the Audit and Risk Committee Member of the Remuneration and Nomination Committee
Interests in shares and options	1,522,274 fully paid ordinary shares (held indirectly) 100,000 options over ordinary shares (held directly)



Peter Hase

Non-Executive Director



Peter Hase was the Managing Director (EMEA) of Auster Capital Partners (ACP), a targeted Venture Capital/Private Equity firm with a specialization in small and mid-tier companies in high growth markets. ACP (EMEA) is a wholly owned division of ACP, which operated as a private equity firm investing in telecommunications, managed services, cloud computing and IT sectors.

Peter also held the position of CEO Wicoms Wireless Ltd since 2012 until 2017, which was a UK based ACP investment that provided public WiFi access and analytics for customers such as International shopping malls, hospitality venues and other commercial locations. ACP sold the assets of Wicoms Wireless Ltd to SkyFii Ltd (ASX:SKF) in 2017.

Prior to this, Peter was at Telstra International and was fundamental in the strategic review of the US business (working in New York) and during his time as interim CEO he achieved 300% sales growth. Peter was then closely involved in the revision and expansion of the Telstra European business – appointed as CMO in January 2007 and then became SVP Global Business Development for Telstra in 2008 until 2010. He has also held other Senior executive roles for global Managed services companies, such as Interxion and IPC.

Peter is currently active in advisory and interim leadership projects, having recently been engaged with large retail, and logistics companies for strategic managed services.

He is also a Trustee of SERV Surrey and South London, which is a UK charity supporting the NHS with emergency out-of-hours blood deliveries.

Other current ASX directorships	None
Former ASX directorships In last 3 years	None
Special responsibilities	Member of the Audit and Risk Committee
Interests in shares and options	100,000 options (held directly)

Celia Pheasant

Company Secretary



Celia Pheasant is an experienced in-house information and communications technology (ICT) lawyer with over 20 year's legal experience. Currently, Celia is General Counsel for technology start-up incubation company, Capital B, and has provided legal and company secretarial support to Megaport since April 2014.

Celia commenced her career in private practice before continuing with in-house roles with Hutchison Whampoa and AAPT.

Celia holds a Bachelor of Laws and Bachelor of Arts (Jurisprudence) from the University of Adelaide and a Master of Law and Management from the University of New South Wales.

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Meetings of Directors

The numbers of meetings of the Company's board of directors and each board committee held during the year ended 30 June 2018, and the numbers of meetings attended by each director were:

	Full meetings of Directors		Meetings of Committees			
			Audit & Risk		Remuneration	
	A	B	A	B	A	B
Bevan Slattery	15	15	*	*	4	4
Vincent English [^]	15	15	5	5	*	*
Drew Kelton	15	15	5	6	4	4
Simon Moore	15	15	6	6	4	4
Peter Hase	15	15	6	6	*	*

A = Number of meetings attended

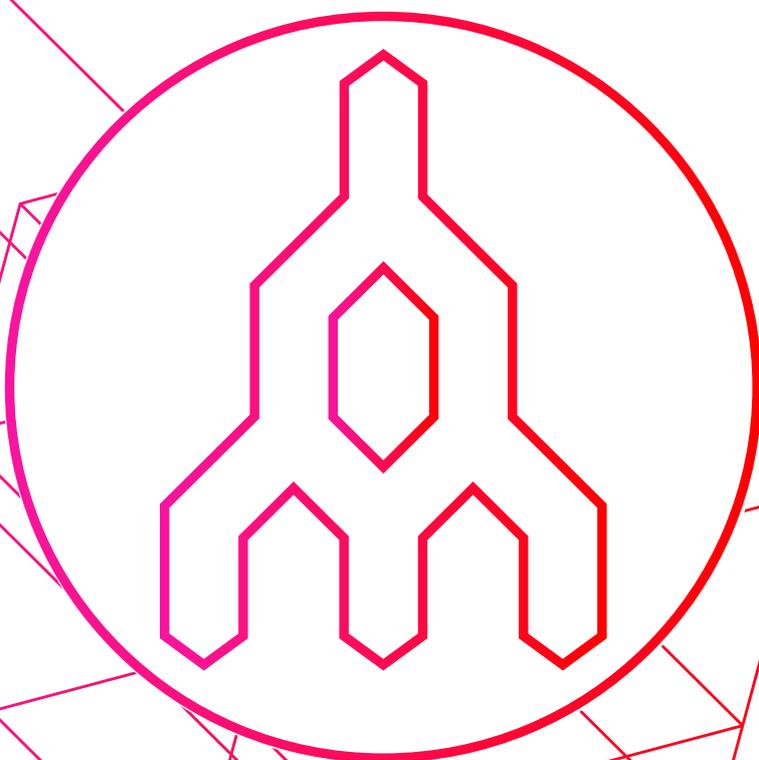
B = Number of meetings held during the time the director held office or was a member of the committee during the period

* = Not a member of the relevant committee

[^] = Resigned from the Audit & Risk Committee on 21 February 2018

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REMUNERATION REPORT





Remuneration Report

This Remuneration Report, which forms part of the Directors Report, sets out information about the remuneration of Megaport Limited's key management personnel for the financial year ended 30 June 2018 and is prepared in accordance with section 300A of the *Corporations Act 2001* (Corporations Act).

The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

The information in this report has been audited as required by section 308(3C) of the Corporations Act.

Key management personnel ("KMP")

The directors and other key management personnel of the consolidated entity during or since the end of the financial year were:

Non-Executive and Executive Directors¹

Name	Position
Bevan Slattery	Chairman and Executive Director
Vincent English	Executive Director and Chief Executive Officer
Drew Kelton	Non-Executive Director
Simon Moore	Non-Executive Director
Peter Hase	Non-Executive Director

1. See the section "Information on directors and company secretary for details about each director."

Other key management personnel

Name	Position
Haidee van Ruth	Chief Financial Officer ("CFO") (from 5 September 2016, resigned effective 31 March 2018)
Steve Loxton	Chief Financial Officer ("CFO") (from 19 February 2018)
Belle Lajoie	Chief Commercial Officer ("CCO") (from 1 May 2017)

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.



Overview of Remuneration Governance Framework

Role of the Remuneration and Nomination Charter

The Remuneration and Nomination Committee is a Committee of the Board. The purpose of this committee is to assist the Board and make recommendations to it about the appointment of new Directors (both Executive and Non-Executive), senior management and on remuneration and related policies and practices (including remuneration of senior management and Non-Executive Directors).

The committee's functions include:

- development of criteria (including skills, qualifications and experience) for Board candidates;
- identification and consideration of possible candidates and recommendation to the Board;
- ensuring appropriate induction and continuing professional development programs are implemented for Directors;
- review of processes for succession planning for the Board, CEO and other senior executives;
- establishment of procedures, and recommendations to the Chairman, for the proper oversight of the Board and management;
- ensuring the performance of each Director, and of senior management, is reviewed and assessed each year using procedures adopted by the Board;
- review and evaluation of market practices and trends on remuneration matters;
- recommendations to the Board about the Company's remuneration policies and procedures;
- oversight of the performance of senior management and non-executive Directors;
- recommendations to the Board about remuneration of senior management and non-executive Directors; and
- reviewing the Company's reporting and disclosure practices in relation to the remuneration of Directors and senior executives.

Meetings are held at least once a year and more often as required.

A copy of the Committee's charter, which forms part of the Corporate Governance Charter, is available on Megaport's website at megaport.com/investor/#Corporate-Governance.

Megaport's Corporate Governance Statement provides further information on the role of this Committee.

Securities Trading Policy

A securities trading policy (Trading Policy) has been adopted by the Board to provide guidance to Directors, employees of Megaport, and other parties who may have access to price sensitive information, where they are contemplating dealing in Megaport's securities or the securities of entities with whom Megaport may have dealings. The Trading Policy is designed to ensure that any trading in Megaport's securities is in accordance with the law.

Any non-compliance with the Trading Policy will be regarded as an act of serious misconduct. The Trading Policy is available on Megaport's website at megaport.com/investor/#Corporate-Governance.



Director remuneration

Non-Executive Director remuneration policy

Megaport's Director remuneration policy is to provide fair remuneration that is sufficient to attract and retain Non-Executive Directors with experience, knowledge, skills and judgment.

Each Director is entitled to remuneration for their services as decided by the Directors. Under the ASX Listing Rules, the total amount provided to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by Megaport which was approved by shareholders at the 2017 AGM. This amount is currently \$1,000,000. Actual fees paid to Non-Executive Directors for the financial year 2018 totaled \$262,244 (2017: \$304,102).

To preserve independence and impartiality, Non-Executive Directors do not receive incentive or performance based remuneration. Nor are there any retirement benefit schemes other than statutory superannuation contributions.

The Non-Executive Director's fall under the same long-term incentive ("LTI") policy as the Executive team. Refer below for details of the Megaport LTI policy and procedure.

Non-Executive Directors may be paid additional remuneration where they perform extra work or services beyond that expected of a Non-Executive Director or outside the scope of their role as a Non-Executive Director.

Non-Executive Directors are entitled to be reimbursed for travel and other expenses incurred while carrying out their duties as a Director.

Non-executive director arrangements

Non-executive directors receive a board fee and fees for chairing board committees, see table below. Actual amounts received by Non-Executive Directors are provided later in this report.

	2018 \$	2017 \$
Base fees		
Chairman	75,000	75,000
Other non-executive directors	60,000	60,000
Additional fees		
Audit & Risk Committee ("ARC") – Chair	7,500	7,500
Remuneration & Nomination Committee ("NRC") – Chair	7,500	7,500

All non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.



Executive remuneration

Senior executive remuneration policy

The senior executive remuneration policy is designed to strengthen the alignment between performance related remuneration and shareholder returns, ensuring that remuneration outcomes for senior executives are directly linked to performance (both Company and individual) in a manner that is ultimately aligned to shareholder interest. Megaport's remuneration framework aims to be transparent, competitive and reasonable, and consists of three key components:

- Fixed remuneration
- Short term incentives
- Long term incentives

Fixed remuneration and benefits

Base remuneration and benefits are structured as a total employment cost package, which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' reasonable discretion.

Executives are offered a competitive base remuneration package that comprises the fixed component of remuneration and rewards. Base remuneration for executives is reviewed annually, to ensure the executive's remuneration is competitive with the market. An executive's remuneration is also reviewed on promotion.

There is no guaranteed base remuneration increase included in any executives' contracts. Executives may receive benefits, including health insurance benefits as part of the fixed remuneration package.

Superannuation contributions are paid in accordance with relevant Government legislation, to employee nominated defined contribution superannuation funds.

Short term incentive policy and procedure

Senior executives may be eligible for a short-term incentive ("STI"), subject to targets set by the Remuneration & Nomination Committee. The targets are set with the objective of ensuring variable reward is only available when value has been created for shareholders.

An executive's targets typically relate to the individual accountabilities of the role, and the financial performance of the Group and relevant business unit.

Each year, the Remuneration & Nomination Committee considers the appropriate targets, and sets minimum levels of performance to trigger the payment of an STI. The Remuneration & Nomination Committee is responsible for assessing whether the STI targets are met. For the year ended 30 June 2018 the STI targets were based on Group objectives, with the key financial performance targets being Group Monthly Recurring Revenue (MRR), EBITDA and Cash balance.



Long term incentive policy and procedure

The objectives of the long-term incentive plans are to:

- establish a method by which eligible participants can participate in the future growth and profitability of the Company;
- provide an incentive and reward to recognise eligible participants for their contributions to the Company; and
- attract and retain a high standard of managerial and technical personnel for the benefit of the Company.

The Group has two long term incentive plans: the Megaport Limited 2015 Employee Share Option Plan (2015 ESOP) and the Megaport Limited Employee Share Option Plan (ESOP General). The 2015 ESOP was adopted to take advantage of the 'start-up' tax concessions which have more favourable tax treatment for employees. The following terms apply to both the 2015 ESOP and the ESOP General:

- each ESOP is open to eligible participants (including full-time and part-time employees, executive, Directors and consultants) of Megaport or any of its subsidiaries who the Board designates as being eligible;
- all options must be offered to participants for no consideration under both plans. The offer must be in writing and specify, amongst other things, the number of options for which the participants must apply, the period within which the options may be exercised and any conditions to be satisfied before exercise, the option expiry date (as determined by the Board) and the exercise period for the options;
- the options may be exercised, subject to any exercise conditions, by the participant giving a signed notice to Megaport and paying the exercise price in full (which must be equal to or greater than the market value of Megaport shares on the date on which the options are granted);
- a participant must not dispose of any interest in an option or share issued on the exercise of an option granted under the 2015 ESOP until the end of the three-year period commencing on the date of the grant of the option;
- the options lapse upon the earlier of the date specified by the Board or events contained in the ESOP rules, including termination of employment or resignation, redundancy, death or disablement; and
- once Shares are allotted upon exercise of the options, the participant will hold the shares free of restrictions (subject to restrictions that apply under the 2015 ESOP). The shares will rank for dividends declared on or after the date of issue but will carry no right to receive any dividend before the date of issue

Each ESOP is administered by the Board which has an absolute discretion to determine appropriate procedures for its administration and resolve questions of fact or interpretation and formulate special terms and conditions (subject to the Listing Rules) in addition to those set out in the plan.

At 30 June 2018, Megaport had 1,200,000 options on issue to eligible employees, including Directors and other KMP under the 2015 ESOP, and at 8 August 2018 this number had not changed. At 30 June 2018, Megaport had 2,925,885 options on issue to eligible employees, including Directors and other KMP under the ESOP General. At 8 August 2018, the number of options on issue under the ESOP General had increased to 3,469,219.

The Company's Securities Trading Policy prohibits executives from entering into transactions which limit the economic risk related to equity-based remuneration schemes without written clearance.

Chief Executive Officer Remuneration

Vincent English is an Executive Director of the Board of Megaport and Chief Executive Officer ("CEO") of the Megaport Group. Vincent commenced the role of CEO in the Group on 1 April 2017. The detail below outlines CEO's remuneration package.

The CEO's remuneration package seeks to align the CEO's performance with the Group's strategic objectives. The CEO's remuneration is structured to include a mix of fixed base salary, short term incentive and long term incentive.

The CEO's fixed base salary of \$330,000 was determined by the Board with reference to market data. The Remuneration & Nomination Committee considered the following factors in arriving at this outcome:

- ensuring the remuneration is competitive with the Group's relative peer group;
- the responsibilities of the CEO relative to the breadth of the Group's global operations; and
- reflective of the size and scale of the business.



Chief Executive Officer Remuneration (Continued)

The CEO may be eligible for a STI of up to \$200,000, subject to targets set by the Remuneration & Nomination Committee at the commencement of the financial year. The targets for the year ended 30 June 2018 relate directly to Megaport's financial performance and position. Details of the STI payable to the CEO in respect of 2018 financial year are outlined later in this report.

The CEO was not issued options during the year ended 30 June 2018. The amounts listed for the CEO's LTI for the financial year consists of options issued in previous years under Megaport's ESOP plans, details of which appear later in this report. As at 30 June 2018, Vincent holds 600,000 options (2017: 600,000 options).

Other key management personnel remuneration

Variable remuneration for KMPs (other than the CEO) is structured on similar principles to those adopted for the CEO. Although the mix of fixed and variable remuneration varies between senior executives, and is determined based on the extent to which they are in a position to directly influence Group's performance, the remuneration philosophy is to allocate a material part of executive remuneration to be derived from an "at risk" element in the form of STI and an LTI based on length of service, to ensure longevity in the Group's KMP.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of the key terms of these agreements are as follows:

Key term	Executive Director	CEO	CCO	CFO ¹
Duration of agreement:	One year subject to renewal	No fixed term	No fixed term	No fixed term
Period of notice required to terminate agreement (by the relevant KMP):	There is no contractual right to terminate the agreement	Twelve weeks notice	Twelve weeks notice	Steve Loxton: Twelve weeks notice Haidee Van Ruth: Four weeks notice
Period of notice required to terminate agreement (by Company):	None, if the Executive Director breaches the agreement (for Intellectual Property, non-compete and confidentiality) or otherwise breaches the agreement and fails to remedy within 10 days or fails to perform the services with all reasonable care, skill and diligence	Twelve weeks notice, or immediately without notice for serious misconduct or another specific circumstances warranting summary dismissal	Twelve weeks notice, or immediately without notice for serious misconduct or another specific circumstances warranting summary dismissal	Twelve weeks notice, or immediately without notice for serious misconduct or another specific circumstances warranting summary dismissal
Potential Termination benefits:	No payout provisions upon termination	Termination by Megaport without cause entitles the CEO to a severance payment equal to six months Base Salary. No severance benefits are payable if the CEO's employment is terminated by Megaport with cause or if the CEO resigns.	Payment in lieu of notice period	Payment in lieu of notice period
Remuneration:	As disclosed in the relevant section			

1. Unless otherwise stated, these terms apply to both Ms Van Ruth and Mr Loxton in regards to their service agreement as CFO



Remuneration of KMP

The following tables show details of the remuneration expense recognised for the Group's KMP for the current and previous financial years measured in accordance with the requirements of the accounting standards. The amounts reflect remuneration for the period the person is recognised as a KMP, as outlined at the start of this Remuneration Report.

2018	Short-term benefits			Post-employment benefits	Long-term benefits	Equity-settled benefit and rights		Total \$
	Salary and fees ¹ \$	Short-term incentive \$	Non-monetary benefits \$	Super-annuation \$	Long service leave ¹ \$	Shares ⁴ \$	Options ² \$	
<i>Non-Executive Directors</i>								
Drew Kelton	67,500	-	-	-	-	-	-	67,500
Simon Moore	61,644	-	-	5,856	-	-	-	67,500
Peter Hase	92,724 ³	-	-	-	-	-	34,520	127,244
Total Non-Executive Remuneration	221,868	-	-	5,856	-	-	34,520	262,244
<i>Executive Directors</i>								
Bevan Slattery	178,082	-	-	16,918	-	-	-	195,000
Vincent English	325,416	91,324	5,604	37,307	5,005	1,000	150,263	615,919
Total Executive Remuneration	503,498	91,324	5,604	54,225	5,005	1,000	150,263	810,919
<i>Other KMP</i>								
Haidee Van Ruth ⁶	176,397	-	-	14,963	-	-	5,006	196,366
Belle Lajoie	252,884	73,059	-	31,848	4,153	1,000	-	362,944
Steve Loxton ⁷	108,548	22,000	-	11,694	1,747	1,000	198,745	343,734
Total KMP Remuneration	537,829	95,059	-	58,505	5,900	2,000	203,751	903,044
Total Remuneration	1,263,195	186,383	5,604	118,586	10,905	3,000	388,534	1,976,207



2017	Short-term benefits			Post-employment benefits	Long-term benefits	Equity-settled benefit and rights		Total \$
	Salary and fees ¹ \$	Short-term incentive \$	Non-monetary benefits \$	Super-annuation \$	Long service leave ¹ \$	Shares \$	Options ² \$	
<i>Non-Executive Directors</i>								
Drew Kelton	67,500	-	-	-	-	-	14,941	82,441
Simon Moore	61,644	-	-	5,856	-	-	14,941	82,441
Peter Hase	89,567 ³	-	-	-	-	-	49,653	139,220
Total Non-Executive Remuneration	218,711	-	-	5,856	-	-	79,535	304,102
<i>Executive Directors</i>								
Bevan Slattery	178,082	-	-	-	-	-	-	178,082
Vincent English	317,401	22,831	5,802	30,889	1,792	-	120,710	499,425
Denver Maddux ⁵	192,202	-	2,390	19,521	-	-	-	214,113
Total Executive Remuneration	687,685	22,831	8,192	50,410	1,792	-	120,710	891,620
<i>Other KMP</i>								
Haidee Van Ruth ⁶	188,273	-	-	16,625	327	-	94,638	299,863
Belle Lajoie	54,329	12,179	-	5,115	3,047	-	-	74,670
Total KMP Remuneration	242,602	12,179	-	21,740	3,374	-	94,638	374,533
Total Remuneration	1,148,998	35,010	8,192	78,006	5,166	-	294,883	1,570,255

- Annual leave, included under "Salary and fees" and Long service leave represents the movement in the leave provision balances. The accounting value may be negative, for example, when an Executive's leave balance decreases as a result of taking more than the entitlement accrued during the year
- The value of options is calculated using a Black-Scholes valuation model at grant date. This value is allocated to remuneration of KMP on a straight-line basis over the period from grant date to vesting date. This value represents the share-based payment accounting expense for the options for the financial year or the period that person was a KMP within the year
- Includes amounts paid in relation to a consultancy service agreement to assist with business development and Europe operational matters
- Accrued for employees share plan (refer to note 21 (c) in the financial statement)
- Resigned effective 31 March 2017
- Resigned effective 31 March 2018
- Appointed on 19 February 2018



Directors and KMP of the Group are included in this disclosure for the period they held the applicable roles.

No KMP appointed during the year received a payment as part of his or her consideration for agreeing to hold the position.

The relative proportions of remuneration of KMP that are linked to performance are as follows:

	Fixed salary and/or fees		Short term incentive - at risk		Long term incentive ¹	
	2018	2017	2018	2017	2018	2017
Non-Executive Directors						
Drew Kelton	100%	82%	-	-	-	18%
Simon Moore	100%	82%	-	-	-	18%
Peter Hase	73%	64%	-	-	27%	36%
Executive Directors						
Bevan Slattery	100%	100%	-	-	-	-
Vincent English	59%	71%	16%	5%	25%	24%
Other KMP						
Haidee Van Ruth	97%	52%	-	-	3%	48%
Belle Lajoie	78%	82%	22%	18%	-	-
Steve Loxton	34%	-	7%	-	59%	-

1. The LTI above refers to share-based payments not at risk and subject to service conditions



The proportion of the STI cash bonus paid/payable is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
	2018	2017	2018	2017
Executive Directors				
Vincent English	50%	50%	50%	50%
Other KMP				
Haidee Van Ruth	-	-	-	-
Belle Lajoie	50%	50%	50%	50%
Steve Loxton	50%	-	50%	-

The STI amounts that were paid or are payable were determined by the NRC following an assessment of performance against targets. These include targets related to Megaport's strategic business objectives and financial targets including Group Monthly Recurring Revenue (MRR), EBITDA and Cash balance.

Equity-Based Compensation

Employee share option plan

Currently, the Group has an equity-based compensation plan via two Employee Share Option Plans (ESOP General and 2015 ESOP). Refer to the Long Term Incentive Policy and Procedure section above for details on the ESOP General and 2015 ESOP.

The plan is designed to focus executives on delivering long-term shareholder returns and retaining key employees for the long-term. For some employees, the options will vest if they meet specific performance target within the employee's business unit; for all other employees, the options will vest if the employee meets a length of service requirement

Participation in the plan is at the Board's absolute discretion and no individual has a contractual right to participate in the plan. Once vested, a participant will have a set period of time to exercise the options, specific to their individual ESOP. The options are granted for no consideration, however there is consideration payable by the participant upon exercising vested options. Upon exercising the options, the options convert into fully paid ordinary shares.



Employee share option plan (Continued)

Terms and conditions of share options affecting remuneration of KMP in the current financial year or future financial years:

Options series	Grant date	Grant date fair value \$	Exercise price \$	Vesting date	Expiry date
2015 ESOP – series 1	28-Nov-15	0.298	1.25	27-Nov-16	27-Nov-18
2015 ESOP – series 3	28-Nov-15	0.397	1.25	27-Nov-18	27-Nov-19
ESOP General – series 2016 – 4	07-Sep-16	1.069 – 1.343	1.84	07-Sep-17 to 07-Sep-19	06-Sep-18 to 06-Sep-20
ESOP General – series 2016 – 8	17-Oct-16	1.042 – 1.343	2.02	17-Oct-17 to 17-Oct-19	16-Oct-18 to 16-Oct-20
ESOP General – series 2016 – 9	02-Dec-16	0.842	2.02	23-Nov-17	23-Nov-19
ESOP General – series 2018 – 7	03-Apr-18	1.108 - 1.536	2.93	19-Feb-19 to 19-Feb-21	02-Feb-20 to 02-Feb-22

There has been no alteration of the terms and conditions of the above share options since the grant date.

Details of the share options granted as compensation to KMP as at reporting date:

Name	Opening balance 1 July 2017		Granted during the year ¹		Forfeited during the year		Exercised/settled during the year		Closing balance 30 June 2018	
	Number	\$	Number	\$	Number	\$	Number	\$	Number	\$
Drew Kelton	100,000	29,800	-	-	-	-	-	-	100,000	29,800
Simon Moore	100,000	29,800	-	-	-	-	-	-	100,000	29,800
Peter Hase	100,000	84,174	-	-	-	-	-	-	100,000	84,174
Vincent English	600,000	347,607	-	-	-	-	-	-	600,000	347,607
Haidee Van Ruth	200,000	190,988	-	-	(100,000)	(91,344)	-	-	100,000	99,644
Steve Loxton	-	-	1,200,000	1,254,871	-	-	-	-	1,200,000	1,254,871

1. The value of options is calculated as at the grant date using a Black-Scholes valuation model. This grant date value is allocated to remuneration of KMP on a straight-line basis over the period from grant date to vesting date.



Employee share option plan (Continued)

In addition, the following share options were granted to the Company secretary

Name of Officer	Date Granted	Grant date fair value \$	Exercise price \$	Number of options granted
Celia Pheasant	30-Sep-16	1.074 – 1.375	2.02	100,000

Further details of the employee share option plan and of share options granted during the 2018 and 2017 financial years is contained in note 21 to the financial statements.

Additional disclosures relating to KMP

KMP equity holdings

Fully paid ordinary shares of Megaport Limited¹

Name	Balance at 01 July 2017 No. of shares	Purchased No. of shares	Disposed No. of shares	Net other changes during the year No. of shares	Balance at 30 June 2018 No. of shares	Balance held nominally No. of shares
<i>Non-Executive Directors</i>						
Drew Kelton	25,000	-	-	-	25,000	-
Simon Moore	1,522,274	-	-	-	1,522,274	-
Peter Hase	-	-	-	-	-	-
<i>Executive Directors</i>						
Bevan Slattery	33,288,960	-	(6,666,667)	6,416	26,628,709	26,337,607
Vincent English	60,972	3,208	-	6,416	70,596	27,482
<i>Other KMP</i>						
Haidee Van Ruth	5,000	-	-	-	5,000	5,000
Belle Lajoie	1,000,000	-	(300,000)	-	700,000	700,000
Steve Loxton	-	-	-	-	-	-

1. The table above includes all ordinary shares held directly, indirectly and beneficially by (a) key management personnel, (b) a close member of the family of (a), and (c) an entity over which (a) or (b) has, either directly or indirectly, control, joint control or significant influence.



KMP equity holdings (Continued)

All share options issued to KMP were made in accordance with the provisions of the employee share option plan.

During the financial year, no share options were exercised by KMP. Haidee van Ruth (the former CFO) exercised 66,666 options following the end of the financial year.

Loans to KMP

No loans made to Directors of Megaport Limited and other KMP of the Group, including their close family members and entities related to them for the financial year ended 30 June 2018.

Other transactions and balances with KMP of the Group

Information on other transactions and balances with directors, other KMP and parties related to directors and other KMP are set out in note 28 of the financial statements.

Directors of the Group hold other directorships in public corporations, as detailed in the Directors' Report. Where any of these related entities are customers or suppliers of the Group, these arrangements are on arm's length terms i.e. similar terms to other customers or suppliers.

Voting of shareholders at last year's annual general meeting ("AGM")

Megaport Limited received more than 95% of "yes" votes on its remuneration report for the 2017 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Indemnification and Insurance of Directors and Officers

The Group has entered into standard deeds of indemnity and insurance with each of the Directors. Pursuant to those deeds, the Group has undertaken, consistent with the Corporations Act, to indemnify each Director in certain circumstances and to maintain Directors and Officers insurance cover in favour of the Director for seven years after the Director has ceased to be a Director. During the financial year, the Group paid a premium for such insurance coverage. The contract of insurance prohibits disclosure of the nature of the liability or of the amount of the premium.

The Group has further undertaken with each Director to maintain a complete set of the Group's board papers and to make them available to the Director for seven years after the Director has ceased to be a Director.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group against a liability incurred as such an officer or auditor.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.



Non-audit services

The Group may decide to employ the auditor on assignments in addition to its statutory audit duties, where the auditor's expertise and experience with the Company and/or Group are important.

No non-audit services were provided by Deloitte Touche Tohmatsu Australia and its network firms during the year.

As there was no provision of non-audit services by the auditor, the Directors are of the opinion that the independence requirements of the Corporations Act 2001 were not compromised.

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 in next page.

The Directors' Report is signed in accordance with a resolution of Directors made pursuant to s298(2) of the *Corporations Act 2001*.

Corporate Governance Statement

Megaport Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Megaport Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (the Third Edition) published by the ASX Corporate Governance Council.

A description of the Group's current corporate governance practices is set out in the Group's Investor Centre which can be viewed at <https://www.megaport.com/investor/>.

On behalf of the Board of Directors

Vincent English

Executive Director and Chief Executive Officer
Brisbane
22 August 2018

The Board of Directors
Megaport Limited
Level 4
825 Ann Street
Fortitude Valley QLD 4006

22 August 2018

Dear Board Members

Megaport Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Megaport Limited.

As lead audit partner for the audit of the financial statements of Megaport Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



R.G. Saayman
Partner
Chartered Accountants

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

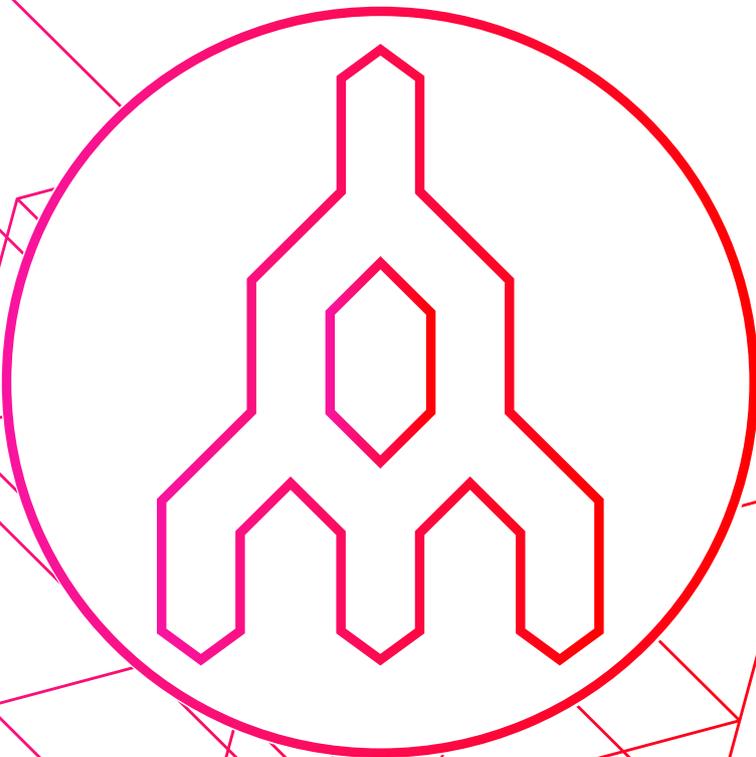
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Member of Deloitte Touche Tohmatsu Limited

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FINANCIAL REPORT





Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Continuing operations			
Revenue	4	19,753,170	10,668,613
Direct network costs	5	(15,264,497)	(11,246,275)
		4,488,673	(577,662)
Other income		409,029	306,346
Employee expenses		(20,530,483)	(16,537,386)
Professional fees		(2,180,009)	(3,031,097)
Marketing expenses		(859,444)	(1,077,439)
Travel expenses		(1,461,018)	(1,745,909)
Depreciation and amortisation expense	7	(4,936,010)	(4,155,954)
Finance costs		(137,350)	(100,670)
Foreign exchange gains/(losses)	7	2,443,244	(969,793)
Other expenses		(2,562,399)	(2,090,780)
Loss before income tax		(25,325,767)	(29,980,344)
Income tax benefit	6	862,618	45,437
Net loss for the year		(24,463,149)	(29,934,907)
Other comprehensive income/(loss), net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		(1,642,746)	576,147
Total other comprehensive income/(loss), net of income tax		(1,642,746)	576,147
Total comprehensive loss for the year		(26,105,895)	(29,358,760)
Loss attributable to:			
Owners of Megaport Limited		(24,463,149)	(29,934,907)
Total comprehensive loss attributable to:			
Owners of Megaport Limited		(26,105,895)	(29,358,760)
Losses per share			
	Notes	\$	\$
Basic and diluted losses per share	8	(0.23)	(0.35)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes



Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	9	55,760,704	21,027,324
Trade and other receivables	10	3,397,024	1,569,768
Current tax asset	6(b)	52	90,079
Financial assets – term deposits		509,361	500,619
Other assets	11	1,688,169	771,193
Total current assets		61,355,310	23,958,983
Non-current assets			
Property, plant and equipment	12	19,687,023	8,522,564
Intangible assets	13	9,270,727	8,317,229
Deferred tax assets	6(c)	1,843,522	-
Other assets	11	-	45,422
Total non-current assets		30,801,272	16,885,215
Total assets		92,156,582	40,844,198
Liabilities			
Current liabilities			
Trade and other payables	15	10,400,762	8,889,820
Borrowings	16	58,894	167,202
Current tax liability	6(b)	72,423	-
Provision		10,000	-
Financial liabilities	17	995,225	70,117
Other liabilities		165,925	217,237
Total current liabilities		11,703,229	9,344,376
Non-current liabilities			
Borrowings	16	-	55,500
Provisions		-	10,000
Deferred tax liability	6(c)	184,151	236,257
Financial liabilities	17	-	944,883
Other liabilities		65,639	29,982
Total non-current liabilities		249,790	1,276,622
Total liabilities		11,953,019	10,620,998
Net assets		80,203,563	30,223,200
Equity			
Issued capital	18	166,839,973	80,135,544
Reserves	19	1,020,765	13,281,682
Other equity		(11,913,909)	(11,913,909)
Accumulated losses	20	(75,743,266)	(51,280,117)
Total equity		80,203,563	30,223,200

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



Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Notes	Issued capital \$	Reserves \$	Other equity [^] \$	Accumulated losses \$	Total equity \$
Balance at 01 July 2016		50,109,608	319,489	(11,913,909)	(21,345,210)	17,169,978
Loss for the year		-	-	-	(29,934,907)	(29,934,907)
Other comprehensive income		-	576,147	-	-	576,147
Total comprehensive loss for the year		-	576,147	-	(29,934,907)	(29,358,760)
Transactions with owners in their capacity as owners:						
Issue of ordinary share capital		30,999,490	-	-	-	30,999,490
Cash received for shares not yet issued	19	-	11,441,287	-	-	11,441,287
Equity-settled employee benefit		-	944,759	-	-	944,759
Share issue costs, net of tax	18	(973,554)	-	-	-	(973,554)
Balance at 30 June 2017		80,135,544	13,281,682	(11,913,909)	(51,280,117)	30,223,200
Balance at 01 July 2017		80,135,544	13,281,682	(11,913,909)	(51,280,117)	30,223,200
Loss for the year		-	-	-	(24,463,149)	(24,463,149)
Other comprehensive loss		-	(1,642,746)	-	-	(1,642,746)
Total comprehensive loss for the year		-	(1,642,746)	-	(24,463,149)	(26,105,895)
Transactions with owners in their capacity as owners:						
Issue of ordinary share capital		76,962,104	-	-	-	76,962,104
Transfer of ordinary share capital	19	11,441,287	(11,441,287)	-	-	-
Equity-settled employee benefit		-	823,116	-	-	823,116
Share issue costs, net of tax	18	(1,698,962)	-	-	-	(1,698,962)
Balance at 30 June 2018		166,839,973	1,020,765	(11,913,909)	(75,743,266)	80,203,563

[^] Resulting adjustment arising from common-control transactions (refer to note 1(e) in the financial statements)

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



Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		19,503,204	12,097,952
Payments to suppliers and employees		(43,150,814)	(36,444,535)
Other income received		-	103,312
Income taxes received / (paid)		34,257	(249,515)
Finance costs		(137,350)	(100,670)
Net cash flows used in operating activities	9	(23,750,703)	(24,593,456)
Cash flows from investing activities			
Interest received		264,868	195,274
Payment for financial assets		(8,743)	(307,470)
Payment for property, plant and equipment		(11,071,487)	(4,371,155)
Payment for intangible assets		(4,929,703)	(1,876,780)
Purchase of controlled entities, net of cash acquired		(113,486)	(993,876)
Transaction costs relating to acquisition of subsidiary		(19,525)	(180,672)
Contingent consideration payment		(73,890)	-
Net cash flows used in investing activities		(15,951,966)	(7,534,679)
Cash flows from financing activities			
Proceeds from issue of new shares		76,962,104	42,440,777
Share issue transaction costs		(2,606,644)	(973,554)
Repayment of borrowings		(142,448)	(197,301)
Net cash flows from financing activities		74,213,012	41,269,922
Net increase in cash and cash equivalents held		34,510,343	9,141,787
Effects of exchange rate changes on cash and cash equivalents		223,037	15,540
Cash and cash equivalents at beginning of the year		21,027,324	11,869,997
Cash and cash equivalents at end of the year	9	55,760,704	21,027,324

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



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1 Significant accounting policies

(a) General information

Megaport Limited (“Megaport” or ‘the Company’) is a listed public company, incorporated and domiciled in Australia. Megaport Limited shares are listed on the Australian Securities Exchange (ASX).

Megaport’s registered office and principal place of business is:

Level 4
825 Ann Street
Fortitude Valley QLD 4006

The principal activities of the Company and its subsidiaries (‘the Group’) are described in the Directors’ Report.

All press releases, financial reports and other information are available at Megaport’s Investor Centre at the following website address: www.megaport.com/investor.

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated. The consolidated financial statements are for the Group for the financial year ended 30 June 2018.

The consolidated financial statements were authorised for issue by the Directors on the date of the Directors’ Declaration. The Directors have the power to amend and reissue the consolidated financial statements.

(b) Basis of preparation

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Standards Board, and comply with other requirements of the law. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

All amounts are presented in Australian dollars, unless otherwise noted.

Compliance with IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).



Historical cost convention

The consolidated financial statements have been prepared on the basis of historical cost, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting date, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for equity-settled employee benefit transactions that are within the scope of AASB 2 'Share Based Payments', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 'Impairment of Assets'.

Going concern

Determining whether the Group is a going concern has been determined through detailed budgets and cash flow forecasts which include key assumptions around future cash flows, and forecast results and margins from operations. The Group has significant cash reserves obtained through capital raising and monitors the reserves through these detailed budgets and cash flow forecasts to ensure there are sufficient available funds for its operations and any planned expansion. As a result, the Directors are satisfied that the Group is able to maintain sufficient resources to continue in operation for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the financial statements.

Critical accounting estimates

The preparation of the financial statements requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2017:

- AASB 1048 Interpretation of Standards
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016

The application of these standards and amendments did not have a material impact on the financial statements for the current year or any prior years, and is not likely to have a material impact on future years.

New standards and interpretations not yet adopted

New accounting standards and interpretations have been published that will impact the Group's financial statements in future years. A summary of the expected impact of these new standards and interpretations is set out below:



New standards and interpretations not yet adopted (Continued)

Title of standard	AASB 15 Revenue from Contracts with Customers
Nature of change	<p>AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 <i>Revenue</i>, AASB 111 <i>Construction Contracts</i>, and the related interpretations when it becomes effective.</p> <p>The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p> <p>Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied. I.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.</p> <p>Extensive disclosures are required by AASB 15. The standard permits either a full retrospective or a modified retrospective approach for adoption.</p>
Impact	<p>The Group has undertaken an analysis of the impact of the initial application of AASB15. The Group's business model involves the provision of on-demand self-serve connectivity and interconnection services under contracts that are short term in nature and are largely billed on a monthly usage basis consistent with the individual performance obligations. Based on the analysis undertaken, the Group does not expect a significant impact from the measurement and recognition of revenue under AASB15.</p>
Mandatory application date / date of adoption by the Group	<p>Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption.</p> <p>Expected date of adoption by the Group: 1 July 2018.</p>
Title of standard	AASB 9 Financial Instruments
Nature of change	<p>AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.</p>
Impact	<p><i>Classification and measurement</i></p> <p>The material financial assets held by the Group are:</p> <ul style="list-style-type: none"> • Cash and cash equivalents • Loans and receivables <p>The financial assets outlined above are currently classified and measured at amortised cost and will continue to be measured on the same bases as is currently adopted under AASB 139 <i>Financial Instruments: Recognition and Measurement</i>. Note this excludes the impact of impairment, which is outlined below.</p> <p>The Group does not expect a significant impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 and have not been changed.</p> <p><i>Hedge accounting</i></p> <p>As the Group currently does not have hedging instrument, the Group does not expect the new guidance to have a significant impact on the Group's results.</p>

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New standards and interpretations not yet adopted (Continued)

Impairment

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, contract assets under AASB 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. The impact is expected to be minimal.

Financial statement presentation

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments, particularly in the year of adoption of the new standard. No significant changes are expected.

Mandatory application date / date of adoption by the Group

Must be applied for financial year commencing on or after 1 January 2018. The Group will adopt this standard from 1 July 2018 and the impact of its adoption is not expected to be material on the Group.

Title of standard
Nature of change

AASB 16 Leases

The AASB has issued a new standard for the identification of lease arrangements and the accounting treatments for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 *Leases* and the related interpretations when it becomes effective.

The key features of the new standard are:

- Distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Classification of leases as either operating or finance leases for a lessee are removed and replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees.
- The recognition of lease assets is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.
- Lease liabilities are initially measured at present value of the future lease payments. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.
- Total lease payments will be split into a principal and interest portion in the Statement of Cash Flows, presented as financing and operating cash flows respectively.

Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group had non-cancellable operating lease commitments of \$12,322,174 (2017: \$14,600,552), see note 24(b). The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.



New standards and interpretations not yet adopted (Continued)

Mandatory application date / date of adoption by the Group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.
--	--

Other Standards and Interpretations that were issued but not yet effective are listed below. The Group does not expect the application of these amendments will have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Title of Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year beginning
<i>AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018	1 July 2018
<i>AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments</i>	1 January 2018	1 July 2018
<i>AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle</i>	1 January 2018	1 July 2018
<i>AASB Interpretation 22 Foreign Currency Translation and Advance Consideration</i>	1 January 2018	1 July 2018
<i>AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement</i>	1 January 2019	1 July 2019
<i>Interpretation 22 Foreign Currency Transactions and Advance Consideration</i>	1 January 2018	1 July 2018
<i>Interpretation 23 Uncertainty over Income Tax Treatments</i>	1 January 2019	1 July 2019
<i>AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures</i>	1 January 2019	1 July 2019
<i>AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation</i>	1 January 2019	1 July 2019

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Megaport Limited ('the Company') and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.



(c) Basis of consolidation (Continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the condensed consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred is measured as the fair value of the assets acquired, shares issued or liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed in the period the costs are incurred.

Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

At the acquisition date, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values, except that

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.



(d) Business combinations (Continued)

The excess of the consideration transferred amount of any non-controlling interest in the acquired entity, over the net fair value of the Group's share of the identifiable net assets acquired, is recognised as goodwill. If the consideration transferred for the acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the profit and loss in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value, as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with AASB 139, or AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that had previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as of that date.



(e) Common-control transactions

A business combination involving entities or businesses under common-control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that the control is not transitory.

Where an entity within the Group acquires an entity under common-control, the acquirer consolidates the book value of the acquired entity's assets and liabilities from the date of acquisition. The consolidated financial statements of the Group include the acquired entity's income and expenses from the date of acquisition onwards. Any difference between the fair value of the consideration paid/transferred by the acquirer and the net assets/(liabilities) of the acquired entity are taken to the common control reserve within other equity.

(f) Goodwill

Goodwill acquired on a business combination is initially measured at cost, being the excess of the consideration transferred for the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is reviewed for impairment, annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. If the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Disposed goodwill in this circumstance is measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit retained.

(g) Segment reporting

AASB 8 Operating Segments requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM has been identified as the Board of Directors, who make strategic decisions on behalf of the Company.

Goodwill is allocated by management to groups of cash-generating units on a segment level.

(h) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of each group entity are expressed in Australian dollars ('\$'), which is the functional currency of the Company and the presentation currency for the financial statements.



(h) Foreign currencies (Continued)

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Megaport derives income through the sale and provisioning of high-speed data services including network interconnectivity, facilitated through the Group's service delivery and connectivity platform. Revenue for data services is recognised as revenue when the services are rendered. Revenue from services provided but unbilled is accrued at the end of each period and unearned revenue for services to be provided in future periods is deferred and recognised in the period that the services are rendered.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.



(j) Taxation

Income tax expense/(benefit) represents the sum of the tax currently payable or receivable and deferred tax.

Current tax

The tax currently payable or receivable is based on taxable profit for the reporting period. Taxable profit differs from profit before tax as reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, the carry forward of tax losses and any unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.



(j) Taxation (Continued)

Tax consolidation - *Relevance of tax consolidation to the Group*

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 2 August 2015 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Megaport Limited. The members of the tax-consolidated group are identified in note 26. 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 'stand-alone separate taxpayer' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Tax funding arrangements and tax sharing agreements

During the year, the entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement.

(k) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 1(j)). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready 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 or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



(m) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts, if any, are included in borrowings in current liabilities in the Statement of Financial Position.

(n) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

Other receivables generally arise from transactions outside the usual operating activities of the Group.

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

Collectability of trade and other receivables is reviewed on an ongoing basis at the operating unit level. Individual debts which are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(o) Property, plant and equipment

Each class of property, plant and equipment (PPE) is carried at cost less, where applicable, any accumulated depreciation or impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and assets under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.



(o) Property, plant and equipment (Continued)

Depreciation is calculated over PPE using the following estimated useful lives and methods:

PPE Category	Expected Useful Life	Method
Network equipment	4 years	Straight line
Furniture & office equipment	3 - 5 years	Straight line
Computer equipment	2 - 3 years	Straight line
Leasehold improvements	Over the life of the lease	Straight line

An item of PPE is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(p) Assets under construction

Assets under construction are shown at historical cost. Historical cost includes directly attributable expenditure on network infrastructure and data centres which at reporting date, has not yet been finalised and/or ready for use. Assets under construction are not depreciated. Assets under construction are transferred to property, plant and equipment upon successful testing and commissioning.

(q) Intangible assets

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Indefeasible rights to use assets

Indefeasible rights to use ('IRUs') and long-term agreements of capacity are recognised at cost, being the present value of future cash flows payable for the right. Costs are deferred and amortised on a straight line basis over the life of the contract.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.



(q) Intangible assets (Continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

Category	Method	Internally generated / acquired
Patents and trademarks	Straight line – the length of the approved application	Acquired
Software	Straight line – 3 years	Acquired / internally generated
Brand names	Straight line – 2 - 10 years	Acquired
Customer contracts & relationships	Straight line – 5 - 10 years	Acquired
Network rights	Straight line – 3 years	Acquired
IRU assets	Straight line – 10 years (the life of the contract)	Acquired

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

(r) Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.



(r) Impairment of tangible and intangible assets other than goodwill (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(s) Trade and other payables

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

(t) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with AASB 118 *Revenue*.



(u) Employee benefits

Short-term obligations

Liabilities for wages and salaries including non-monetary benefits and annual leave, expected to be settled within 12 months of the reporting period, are recognised in other payables and accruals in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. The obligation for non-accumulated sick leave is recognised when the leave is taken and is measured at the rates paid or payable.

Long-term obligations

Liabilities in respect of long-term employee benefits are recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date, using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using high quality corporate bond rates at the reporting date with terms to maturity and currencies that match, as closely as possible, the estimated future cash flows.

The obligations are presented as current liabilities in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Retirement employment obligations

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is payable.

Bonus plans

The Group recognises a provision for future bonus payments where it is contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits

A liability for termination benefits is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs. Benefits falling due more than 12 months after reporting date are discounted to present value.

(v) Equity-settled employee benefit

Equity-settled employee benefit transactions and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled employee benefit transactions are set out in note 21.

The fair value determined at the grant date of the equity-settled employee benefit transactions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled employee benefit transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably. In such cases they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

**(v) Equity-settled employee benefit (Continued)**

For cash-settled equity instruments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the year.

(w) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group entity are recognised as proceeds received, net of direct issue costs.

(x) Earnings per share**Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(y) Other taxes

Revenues, expenses and assets are recognised net of the amount of associated other taxes, including goods & services tax (GST), value-added tax (VAT), and sales tax, except:

- where the amount of other taxes incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of other taxes.

The net amount of other taxes recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The other taxes component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority is classified within operating cash flows.

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



2 Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 1, management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

(a) Value of assets relating to acquisitions

The Group has allocated portions of the cost of acquisitions to identified and valued intangible assets including customer contracts and relationships, brand names and network rights intangible assets. These calculations require the use of assumptions including identification of intangible assets, valuation of intangible assets including future customer retention rates, future cash flows, discount rates, and future growth rates, and the determination of the fair value of net assets acquired.

(b) Useful lives of PPE and intangible assets

The economic life of PPE and intangible assets, which includes network infrastructure and internally generated software, is a critical accounting estimate. The useful economic life is the Board's and Management's best estimate based on historical experiences and industry knowledge. The Group reviews the estimated useful lives of PPE and intangible assets at the end of each annual reporting period. Should the actual lives of these component parts be significantly different this would impact the depreciation and amortisation expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. During the year, the directors revised the useful lives of certain PPE as disclosed in note 12(b).

(c) Value of internally generated intangible assets

The Group develops network software internally. To put a value to these assets, the Group estimates the time spent by key employees on the development of the software, then capitalises the labour cost of the estimated time spent developing the asset.

(d) Fair value measurements of equity-settled employee benefit

The Equity-settled employee benefit is measured at fair value for financial reporting purposes. In estimating the fair value of the equity-settled employee benefit, the Group uses market-observable data to the extent it is available. The expected life used in the fair value measurement has been adjusted based on management's best estimate for the effects of non-transferability and exercise restrictions (including the probability of meeting the vesting conditions attached to the option). Expected volatility is an estimate based on the historical share price volatility of similar companies within the industry.

(e) Income taxes

The Group is subject to income taxes in each jurisdiction that it operates. Estimation is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.



(f) Deferred taxation

Deferred tax assets are recognised where it is considered probable that they will be recovered in the future and, as such, are subjective. A significant portion of the deferred tax assets relate to the unused tax losses. Given the early stage of the Group operations and the magnitude of the tax losses, Megaport has not recognised any deferred tax assets relating to tax losses in the Consolidated Statement of Financial Position for any entities that have not generated a profit since Incorporation.

(g) Impairment of assets

In accordance with the Group's accounting policy, impairment assessment has been undertaken as at 30 June 2018 for all groups of cash generating units ("CGU") with indefinite life intangible assets or where there is an indication of impairment. The testing has been conducted using a value in use model.

The impairment assessment and value in use model requires a number of management's assumptions, judgements and estimates throughout the process. Details of these key areas include the following:

- Management judgement is applied to establish the CGUs. The CGUs are smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
- The value-in-use model includes a discounted cash flow analysis of five year cashflows plus a terminal value. The five year cash flows are based on the 12 month budget and a further four year projection based on management estimates of revenue, expenses, capital expenditure and cash flows for each CGU. It also includes assumptions regarding how both corporate expenses and corporate assets are absorbed or utilised within each CGU.
- Other key assumptions include the variables used to estimate the weighted average cost of capital and assumptions around factors such as risk-premiums

(h) Infeasible rights to use and long-term agreements (IRUs)

In 2017 Megaport entered into IRUs over dark fibre at a cost of \$3.8m. Management has classified the IRUs as intangible assets in the form of IRU capacity assets under AASB 138 "Intangible Assets" as the provider has the right to substitute, modify or replace the fibre cores and pathways used by Megaport.



3 Segment information

(a) Description of segments

The Group's Board of Directors examine the performance of the Group from a geographic perspective and have identified three operating segments of its business. All operating segments are currently reportable. All operating segments generate revenue from its principal activities. These segments are:

- **Asia-Pacific**, including Australia, New Zealand, Hong Kong and Singapore. The segment includes key data centres in each market. As of 30 June 2018, 59 locations are fully operational across Asia-Pacific (2017: 47). New Zealand includes a long-haul connectivity capability back to Australia, which enables cloud exchange services to the market. There is a link between Singapore and Hong Kong, Hong Kong and Los Angeles, and Sydney and Los Angeles, allowing customers cross-market cloud exchange connectivity and services.
- **North America** went live in April 2016 and now has 100 sites across the United States of America and Canada (2017: 61). A number of partnership agreements have been signed to benefit the network, with businesses including Digital Realty, AMS-IX, EdgeConnex and CyrusOne.
- **Europe**, where the network went live in 2017 through the acquisition of OMNIX Group AD and Peering GmbH and Megaport built sites. These factors have developed a fully operational market in 62 locations across Europe (2017: 57).
- **Other** includes head office and group services, whose function is to support the operating segments and growth of the global business.

(b) Segment information provided to the Chief Operating Decision Makers

The CODM monitors the operating results of operating segments separately for the purpose of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on net profit or loss, which is measured the same way as the net profit or loss in the consolidated financial statements.

The accounting policies of the reportable segments are the same as the Group's policies.

Segment assets are measured in the same way as in the consolidated financial statements. These assets are allocated based on the operations of the segment and in the case of PPE, the physical location of the asset.



(c) Segment performance and position

The segment information provided to the CODM for the reportable segments for the year ended 30 June 2018 is as follows:

2018	Asia-Pacific \$	North America \$	Europe \$	Total operating segments \$	Other ³ \$	Total \$
<i>For the year ended 30 June 2018</i>						
Revenue¹	8,392,407	5,343,780	6,016,983	19,753,170	-	19,753,170
Normalised EBITDA²	(99,468)	(8,541,568)	(2,462,067)	(11,103,103)	(11,040,475)	(22,143,578)
Interest income	2,544	390	615	3,549	405,480	409,029
Depreciation and amortisation expense	(1,215,522)	(1,616,082)	(1,371,527)	(4,203,131)	(732,879)	(4,936,010)
Equity-settled employee benefit	-	-	-	-	(934,116)	(934,116)
Finance costs	(60,738)	(21,044)	(51,322)	(133,104)	(4,246)	(137,350)
Foreign exchange gains	216,066	1,664,056	542,224	2,422,346	20,898	2,443,244
Non-operating expenses ⁴	-	-	(19,525)	(19,525)	(7,461)	(26,986)
Income tax benefit / (expense)	325,781	90,130	(72,248)	343,663	518,955	862,618
Net loss for the year	(831,337)	(8,424,118)	(3,433,850)	(12,689,305)	(11,773,844)	(24,463,149)
Addition to non-current assets	2,680,175	8,220,120	3,957,774	14,858,069	1,211,449	16,069,518
<i>As at 30 June 2018</i>						
Segment assets	11,751,808	14,862,966	12,142,060	38,756,834	53,399,748	92,156,582

1. Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in current year
2. Normalised Earnings Before Interest Tax Depreciation and Amortisation (Normalised EBITDA) represents operating results excluding the equity-settled employee benefit, foreign exchange gains and non-operating expenses
3. "Other" represents head office and group services costs, whose function is to support the operating segments and growth of the global business
4. Non-operating expenses represent intangible assets written off, business acquisition expenses and adjustments relating to de-registration of Megaport (Italia) S.R.L and Megaport Networks (Espana) S.L. (refer note 26)

**(c) Segment performance and position (Continued)**

	Asia-Pacific	North America	Europe	Total operating segments	Other ³	Total
2017	\$	\$	\$	\$	\$	\$
<i>For the year ended 30 June 2017</i>						
Revenue¹	5,056,797	1,290,342	4,321,474	10,668,613	-	10,668,613
Normalised EBITDA²	(4,028,953)	(8,882,745)	(1,432,048)	(14,343,746)	(9,436,483)	(23,780,229)
Interest income	7,761	411	-	8,172	194,862	203,034
Depreciation and amortisation expense	(1,305,800)	(1,448,346)	(1,194,683)	(3,948,829)	(207,125)	(4,155,954)
Equity-settled employee benefit	-	-	-	-	(944,759)	(944,759)
Finance costs	(58,322)	(8,997)	(24,005)	(91,324)	(9,346)	(100,670)
Foreign exchange losses	(219,708)	(588,706)	(16,603)	(825,017)	(144,776)	(969,793)
Non-operating expenses ⁴	-	(50,595)	(181,378)	(231,973)	-	(231,973)
Income tax benefit / (expense)	-	-	45,437	45,437	-	45,437
Net loss for the year	(5,605,022)	(10,978,978)	(2,803,280)	(19,387,280)	(10,547,627)	(29,934,907)
Addition to non-current assets	5,132,570	1,949,603	2,025,815	9,107,988	1,524,293	10,632,281
<i>As at 30 June 2017</i>						
Segment assets	11,969,427	5,748,970	8,459,096	26,177,493	14,666,705	40,844,198

1. Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the financial year 2017
2. Normalised Earnings Before Interest Tax Depreciation and Amortisation (Normalised EBITDA) represents operating results excluding the equity-settled employee benefit, foreign exchange losses and non-operating expenses
3. "Other" represents head office and group services costs, whose function is to support the operating segments and growth of the global business
4. Non-operating expenses represent loss on disposal of PPE and business acquisition expenses

Megaport Limited is domiciled in Australia. The amount of its revenue from external customers broken down by location of the customers is as follows:

Revenue from external customers	2018		2017	
	\$	%	\$	%
Australia	6,409,433	32.4	4,100,975	38.4
Germany	5,298,246	26.8	3,924,527	36.8
United States of America	5,230,923	26.5	1,256,250	11.8
Other countries	2,814,568	14.3	1,386,861	13.0
Total	19,753,170	100.0	10,668,613	100.0



(c) Segment performance and position (Continued)

No single customer contributed 10% or more to the Group's revenue for both the financial years ending 30 June 2018 and 30 June 2017.

The total of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is as follows:

Location of non-current assets	2018		2017	
	\$	%	\$	%
Australia	6,514,537	22.5	4,446,157	26.3
Germany	6,376,718	22.0	3,395,322	20.1
United States of America	10,617,223	36.7	3,456,662	20.5
Other countries	5,449,272	18.8	5,587,074	33.1
Total	28,957,750	100.0	16,885,215	100.0

4 Revenue

The Group derives the following type of revenue for the year from continuing operations:

	2018	2017
	\$	\$
Revenue from the rendering of services	19,753,170	10,668,613
Total revenue from continuing operations	19,753,170	10,668,613

5 Direct network costs

Direct network costs comprise of data centre power and space, physical cross connect fees, bandwidth and dark fibre, network operation and maintenance, and channel commissions which are directly related to generating the service revenue of the Group.

6 Income tax expense/ (benefit)

(a) Income tax recognised in profit or loss

	2018	2017
	\$	\$
Income tax benefit		
<i>Current income tax</i>		
Current income tax expense	151,928	27,618
Total current tax expense	151,928	27,618
<i>Deferred income tax</i>	(1,014,546)	(73,055)
Total deferred tax benefit	(1,014,546)	(73,055)
Income tax benefit reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	(862,618)	(45,437)



(a) Income tax recognised in profit or loss (Continued)

Tax losses

The Group has total unused tax losses in Australia of \$28.5 million (2017: \$17.5 million), in United States of America of \$30.6 million (2017: \$21.2 million), in Hong Kong of \$3.2 million (2017: \$2.5 million), in Singapore of \$3.0 million (2017: \$2.4 million), in the United Kingdom of \$1.8 million (2017: \$1.2 million) and in other countries totaling \$7.0 million (2017: \$3.3 million). These losses should be available to offset against future taxable profits of the companies in which the losses arose, subject to satisfying the relevant income tax loss carry forward rules. No deferred tax assets have been recorded in relation to these losses.

Megaport Limited and its Australian subsidiaries were consolidated for income tax purposes for the 2018 and financial years (refer note 1(j)).

Numerical reconciliation of income tax expense/ (benefit) to prima facie tax payable or receivable	2018 \$	2017 \$
Accounting loss before income tax	(25,325,767)	(29,980,344)
Tax at the Australian tax rate of 30% (2017: 30%)	(7,597,730)	(8,994,103)
<i>Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:</i>		
Non-deductible amounts	295,022	260,340
Recognition of temporary differences previously not brought to account	(248,055)	(142,730)
Movement in unrecognised temporary differences	-	9,922
Deductible amounts recognised in equity	(907,681)	(111,837)
Difference in overseas tax rates	928,881	(516,982)
Unused tax losses not recognised	6,666,945	9,449,953
Income tax benefit	(862,618)	(45,437)

(b) Current tax assets and liabilities

	2018 \$	2017 \$
<i>Current tax assets</i>		
Tax refund receivable	52	90,079
	52	90,079
<i>Current tax liabilities</i>		
Income tax payable	(72,423)	-
	(72,423)	-

(c) Deferred tax balances

	2018 \$	2017 \$
Deferred tax assets	1,843,522	-
Deferred tax liabilities	(184,151)	(236,257)
Net deferred tax balances	1,659,371	(236,257)



(c) Deferred tax balances (Continued)

The following is the analysis of net deferred tax asset/ (liabilities) presented in the Consolidated Statement of Financial Position:

	Opening balance	Recognised in profit or loss	Acquisitions	Recognised directly in equity	Foreign currency movements	Closing balance
	\$	\$	\$	\$	\$	\$
2018						
<i>Deferred tax assets and liabilities in relation to:</i>						
Intangible assets	(236,257)	770,337	(11,224)	-	(15,375)	507,481
Share issue costs	-	-	-	907,681	-	907,681
Accruals and other payables	-	373,472	-	-	-	373,472
Others	-	(129,263)	-	-	-	(129,263)
Total	(236,257)	1,014,546	(11,224)	907,681	(15,375)	1,659,371

	Opening balance	Recognised in profit or loss	Acquisitions	Recognised directly in equity	Foreign currency movements	Closing balance
	\$	\$	\$	\$	\$	\$
2017						
<i>Deferred tax liabilities in relation to:</i>						
Intangible assets	(48,880)	73,055	(264,393)	-	3,961	(236,257)
Total	(48,880)	73,055	(264,393)	-	3,961	(236,257)

(d) Unrecognised deductible temporary differences, unused tax losses and unused tax credits

	2018	2017
	\$	\$
<i>Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:</i>		
Temporary differences	-	1,122,812
Tax losses carried forward	19,501,156	15,519,059
Total deferred tax assets not recognised	19,501,156	16,641,871



7 Material profit or loss items

The Group has identified a number of specific expenses and gains included in profit or loss before income tax which are material due to the significance in their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

	Notes	2018 \$	2017 \$
Income and expenses			
<i>Depreciation and amortization:</i>			
Depreciation of non-current assets – property, plant and equipment	12	3,444,796	3,573,337
Amortisation of non-current assets – intangible assets	13	1,491,214	582,617
		4,936,010	4,155,954
<i>Equity-settled employee benefit:</i>			
Employee share scheme		111,000	-
Employee share option plan		823,116	944,759
	21(d)	934,116	944,759
<i>Other expense disclosures:</i>			
Rental expense relating to operating leases	(a)	9,559,462	8,516,103
Employees' superannuation expense		856,632	769,875
Foreign exchange gains/(losses)	(b)	2,443,244	(969,793)
Acquisition-related transaction costs	27	19,525	180,672

(a) The Group has entered into commercial leases for the rental of premises, rack space in data centres, and rental of connectivity resources. Further details are included in note 24(b).

(b) As the Group transfers cash and cash equivalents between currencies by the parent providing funding to the subsidiaries to establish themselves in their market, the Group is subject to foreign currency gains or losses on intercompany receivables and payables. Refer to note 22 for further details.



8 Earnings per share

(a) Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2018	2017
	\$	\$
Net loss for the year attributable to owners of the Company	(24,463,149)	(29,934,907)
Earnings used in the calculation of basic earnings per share from continuing operations	(24,463,149)	(29,934,907)

	2018	2017
	No. of Shares	No. of Shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	105,686,177	86,126,173

(b) Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

	2018	2017
	\$	\$
Earnings used in the calculation of basic earnings per share	(24,463,149)	(29,934,907)
Earnings used in the calculation of diluted earnings per share from continuing operations	(24,463,149)	(29,934,907)

The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2018	2017
	Notes	No. of Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share		105,686,177
<i>Shares deemed to be issued for no consideration in respect of:</i>		
Employee options	(a)	275,809
Fully paid ordinary shares, not yet allotted	(b)	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share		105,961,986
		86,401,434

- (a) Options granted to employees under the General Employee Share Option Plan (ESOP General) are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required length of service or performance requirements, depending on the option, would have been met up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of the basic earnings per share. Details relating to the options are set out in note 21.
- (b) Ordinary shares for which full consideration has been received, but which are not yet allotted, have been included in the determination of diluted earnings per share.



9 Cash and cash equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the Consolidated Statement of Cash Flows can be reconciled to the related items in the Consolidated Statement of Financial Position as follows:

	Notes	2018 \$	2017 \$
Cash at bank and on hand	(a)	54,765,479	20,012,324
Funds held in escrow	(b)	995,225	1,015,000
Total cash and cash equivalents		55,760,704	21,027,324

- (a) Included in cash at bank is an amount of \$120,815 (2017: \$nil) that is held under lien by the bank as security for company credit cards and is therefore not available for use by the Group.
- (b) Funds held in escrow are not available for use by the Group. As at 30 June 2018, the funds are the balance payable for the acquisitions of Peering GmbH (refer to note 27(b)) and are required to be held in escrow from acquisition date until they are payable to the seller.

Cash at bank earns interest at floating rates based on daily bank deposit rates: 0.00% - 1.45% (2017: 0.00% - 1.48%). Short-term deposits earn interest at rates agreed to at the start of the term: 1.76% - 2.64% (2017: 0.28% - 1.48%). The weighted average interest rate for the year was 2.05% (2017: 0.92%).

Reconciliation of loss for the year to net cash flows used in operating activities

Cash flows used in operating activities	Notes	2018 \$	2017 \$
Loss for the year		(24,463,149)	(29,934,907)
<i>Adjustments for:</i>			
Interest income		(409,029)	(203,034)
Depreciation and amortisation	7	4,936,010	4,155,954
Gain/(loss) on disposal of non-current assets		25,875	51,301
Net foreign exchange differences		(2,072,100)	591,001
Transaction costs related to acquisition of a subsidiary	27	19,525	180,672
Expense recognised in respect of equity-settled employee benefit	21(d)	934,116	944,759
Income tax benefit		(862,618)	(45,437)
		(21,891,370)	(24,259,691)
<i>Movements in working capital:</i>			
Increase in trade and other receivables		(1,670,370)	(411,400)
Increase in other assets		(556,653)	(212,183)
Increase in trade and other payables		1,247,363	416,270
Increase in provisions		-	10,000
Decrease in tax assets and liabilities		(828,361)	(270,594)
(Decrease)/increase in other liabilities		(51,312)	134,142
Net cash used in operating activities		(23,750,703)	(24,593,456)



10 Trade and other receivables

	Notes	2018 \$	2017 \$
<i>Current</i>			
Trade receivables	(a)	2,989,445	1,652,568
Allowance for doubtful debts	(b)	(179,913)	(100,177)
		2,809,532	1,552,391
Interest receivable		144,161	-
Other receivables		443,331	17,377
Total		3,397,024	1,569,768

(a) Trade receivables are non-interest bearing and are generally on terms of 30 days.

(b) Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty, and through correspondence efforts with the counterparty.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period. These are amounts for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and they are still considered recoverable.

	2018 \$	2017 \$
Age of receivables that are past due but not impaired		
1 – 30 days past due	370,943	328,652
31 – 60 days past due	195,552	222,866
61+ days past due	407,926	268,066
Total	974,421	819,584

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

	2018 \$	2017 \$
Movement in the allowance for doubtful debts		
Balance at beginning of the year	100,177	97,787
Impairment losses recognised on receivables	128,437	158,382
Amounts written off during the year as uncollectable	(49,579)	(62,746)
Amounts recovered during the year	(2,901)	(88,719)
Impairment losses reversed	-	(3,919)
Foreign exchange translation gains and losses	3,779	(608)
Balance at end of the year	179,913	100,177

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. Further details regarding risk exposure related to credit, market and interest rate risk have been disclosed in note 22.



	2018	2017
	\$	\$
Age of impaired trade receivables		
1 – 30 days past due	6,064	4,614
31 – 60 days past due	5,139	6,295
61+ days past due	168,710	89,268
Total	179,913	100,177

11 Other assets

	2018	2017
	\$	\$
<i>Current</i>		
Prepayments	972,946	615,697
Accrued revenue	401,570	101,923
Deposits and bonds	313,653	53,573
	1,688,169	771,193
<i>Non-current</i>		
Other assets	-	45,422
	-	45,422
Total other assets	1,688,169	816,615



12 Property, plant and equipment

	Network equipment \$	Furniture & office equipment \$	Computer equipment \$	Leasehold Improvements \$	Assets under construction \$	Total \$
<i>Year ended 30 June 2018</i>						
Opening net book amount	7,266,464	22,290	365,325	24,085	844,400	8,522,564
Additions	10,025,081	50,599	172,131	-	3,724,621	13,972,432
Transfers	787,496	-	10,310	-	(797,806)	-
Depreciation charge	(3,188,987)	(20,862)	(223,121)	(11,826)	-	(3,444,796)
Exchange differences	497,493	1,521	7,777	-	130,032	636,823
Net book value as at 30 June 2018	15,387,547	53,548	332,422	12,259	3,901,247	19,687,023
<i>At 30 June 2018</i>						
Cost	24,631,434	81,562	1,016,572	35,476	3,901,247	29,666,291
Accumulated depreciation	(9,243,887)	(28,014)	(684,150)	(23,217)	-	(9,979,268)
Net book value as at 30 June 2018	15,387,547	53,548	332,422	12,259	3,901,247	19,687,023
<i>Year ended 30 June 2017</i>						
Opening net book amount	4,473,004	40,472	273,770	-	1,634,227	6,421,473
Additions	4,314,505	25,549	217,651	22,670	619,264	5,199,639
Disposals	-	(34,581)	-	(15,010)	(3,911)	(53,502)
Acquisitions through business combinations	591,324	-	85,835	-	-	677,159
Transfers	1,302,603	10,890	5,393	33,589	(1,367,915)	(15,440)
Depreciation charge	(3,322,889)	(18,994)	(214,782)	(16,672)	-	(3,573,337)
Exchange differences	(92,083)	(1,046)	(2,542)	(492)	(37,265)	(133,428)
Net book value as at 30 June 2017	7,266,464	22,290	365,325	24,085	844,400	8,522,564
<i>At 30 June 2017</i>						
Cost	13,065,491	28,953	810,392	35,476	844,400	14,784,712
Accumulated depreciation	(5,799,027)	(6,663)	(445,067)	(11,391)	-	(6,262,148)
Net book value as at 30 June 2017	7,266,464	22,290	365,325	24,085	844,400	8,522,564



Additional information relating to property, plant and equipment

- (a) No additions during the year were financed under lease agreements. The Group's obligations under finance leases (see note 16) are secured by the lessors' title to the leased assets, which have a carrying amount of \$137,150 at 30 June 2018 (2017: \$222,702).
- (b) During the year, the directors reassessed the useful life of certain items of property, plant and equipment, as follows:

Class	Previous estimate of useful lives used in the calculation of depreciation	Revised estimate of useful lives used in the calculation of depreciation
Network equipment	3 years	4 years

The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to decrease the consolidated depreciation expense in the current year by \$1,462,728, and for the next two financial years, by the following amounts:

Financial years	\$
2019	1,400,679
2020	(212,516)

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13 Intangible assets

	Notes	Software \$	Customer contracts & relationships \$	Network rights \$	IRU assets \$	Brand names, patents & other intangibles \$	Goodwill \$	Software under development \$	Total \$
<i>Year ended 30 June 2018</i>									
Opening net book amount		1,465,734	439,856	537,480	3,783,608	232,802	1,453,911	403,838	8,317,229
Additions		1,704	-	-	-	177,963	-	1,917,419	2,097,086
Acquisitions through business combinations	27(a)	-	123,467	-	-	-	-	-	123,467
Disposals/write off		-	-	-	-	(25,875)	-	-	(25,875)
Transfers		911,763	-	-	-	-	-	(911,763)	-
Amortisation charge		(700,083)	(79,788)	(268,280)	(383,532)	(59,531)			(1,491,214)
Exchange differences		1,503	21,236	21,899	105,414	1,492	77,463	21,027	250,034
Net book value as at 30 June 2018		1,680,621	504,771	291,099	3,505,490	326,851	1,531,374	1,430,521	9,270,727
<i>At 30 June 2018</i>									
Cost		2,621,654	661,650	825,054	3,952,350	365,282	1,531,374	1,430,521	11,387,885
Accumulated amortisation		(941,033)	(156,879)	(533,955)	(446,860)	(38,431)	-	-	(2,117,158)
Net book value as at 30 June 2018		1,680,621	504,771	291,099	3,505,490	326,851	1,531,374	1,430,521	9,270,727



	Notes	Software \$	Customer contracts & relationships \$	Network rights \$	IRU assets \$	Brand names, patents & other intangibles \$	Goodwill \$	Software under development \$	Total \$
<i>Year ended 30 June 2017</i>									
Opening net book amount		338,402	240,300	248,500	-	62,187	209,536	325,737	1,424,662
Additions		985,567	-	-	3,899,988	143,250	-	403,837	5,432,642
Acquisitions through business combinations	27(b)	11,656	287,300	553,600	-	35,300	1,265,851	-	2,153,707
Disposals/write off		-	-	-	-	(705)	-	-	(705)
Transfers		341,176	-	-	-	-	-	(325,736)	15,440
Amortisation charge		(210,535)	(70,838)	(243,867)	(50,520)	(6,857)	-	-	(582,617)
Exchange differences		(532)	(16,906)	(20,753)	(65,860)	(373)	(21,476)	-	(125,900)
Net book value as at 30 June 2017		1,465,734	439,856	537,480	3,783,608	232,802	1,453,911	403,838	8,317,229
<i>At 30 June 2017</i>									
Cost		1,704,998	511,190	783,319	3,833,723	239,109	1,453,911	403,838	8,930,088
Accumulated amortisation		(239,264)	(71,334)	(245,839)	(50,115)	(6,307)	-	-	(612,859)
Net book value as at 30 June 2017		1,465,734	439,856	537,480	3,783,608	232,802	1,453,911	403,838	8,317,229

Additional information relating to intangible assets

The development team's time spent developing software is capitalised. A portion of their time is spent on researching new development opportunities and maintaining existing software. The total cost incurred for this time for the year ended 30 June 2018 was \$419,394 (2017: \$206,771), which is included in the employee expenses on the Consolidated Statement of Profit or Loss and Other Comprehensive Income.



14 Impairment of goodwill

For the purposes of impairment testing, the cash generating unit (CGU) has been defined as the lowest level of the provisioning of interconnection services to which goodwill relates, where individual cash flows can be ascertained for the purposes of discounting future cash flows.

Goodwill acquired through business combinations with indefinite lives is allocated to the CGU of Europe for impairment testing.

Before recognition of impairment losses, the carrying amount of goodwill was allocated to CGUs as follows:

	Note	2018 \$	2017 \$
Europe		1,531,374	1,453,911
Total	13	1,531,374	1,453,911

Goodwill is tested for impairment annually. The Group performed its annual impairment test in June 2018 and June 2017. For assets excluding goodwill, the Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment.

The recoverable amount of the CGU has been determined based on financial budgets set for the next financial year and management's cash flow projections for subsequent years.

	2018	2017
Pre-tax discount rate applied to the cash flow projection	14.00%	15.25%
Cash flows beyond the next financial year, up to year 5, are extrapolated using a growth rate of:		
Revenue (years 2 – 5)	38.1%	32.1%
Expenses (years 2 – 5)	9.2%	9.0%
Terminal value	3.0%	3.0%

Key assumptions used for value-in-use calculations for the year ended 30 June 2018

The following key assumptions were applied to the cash flow projections when determining the value-in-use:

- *Budgeted revenue* – the basis used to determine the amount assigned to the budgeted sales volume is the average value achieved in the year immediately before the budgeted year, adjusted for growth and other known circumstances
- *Budgeted expenses* – the basis used to determine the amount assigned to the budgeted costs is the average value achieved in the year immediately before the budgeted year, adjusted for growth and other known circumstances
- *Terminal multiple* – calculated based on a multiple of estimated year five, quarter four operating cash flows plus the average annual capital expenditure cash flows from years two – five.



15 Trade and other payables

	Notes	2018 \$	2017 \$
<i>Current</i>			
Trade payables	(a),(c)	3,060,101	2,878,706
Employee entitlements	(b)	2,303,820	1,604,317
Other payables and accruals	(c)	5,036,841	4,406,797
		10,400,762	8,889,820

- (a) Trade payables are non-interest bearing and are normally settled on terms ranging from 7 to 30 days.
- (b) Employee entitlements includes accrued annual leave, and other employee benefits payable. The entire balance is presented as a current liability as the Group does not have an unconditional right to defer settlement for any of these obligations. However, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.
- (c) Included within trade payables, and other payables and accruals are amounts due to related parties (see note 28(e)) and an amount of \$111,000 accrued for employee share plan (note 21(c)).

Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

Interest rate risk and liquidity risk

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Information regarding interest rate risk and liquidity risk exposure is set out in note 22.

16 Borrowings

	Notes	2018 \$	2017 \$
Secured – at amortised cost			
<i>Current</i>			
Finance lease liabilities	(a)	58,894	167,202
		58,894	167,202
<i>Non-current</i>			
Finance lease liabilities	(a)	-	55,500
		-	55,500
		58,894	222,702

- (a) The borrowings are fixed interest rate debt and secured by assets leased.



17 Financial liabilities

	Notes	2018 \$	2017 \$
<i>Current</i>			
Contingent consideration	(a)	995,225	70,117
		995,225	70,117
<i>Non-current</i>			
Contingent consideration	(a)	-	944,883
		-	944,883
	(b)	995,225	1,015,000

(a) Contingent consideration includes the estimated fair value of the contingent consideration relating to the following acquisitions. The payables are contingent on performance hurdles specific to the share purchase agreement. With the exception of movements in foreign currency, there has been no change in the fair value of the contingent consideration since the acquisition date.

- i. \$995,225 (EUR 650,000) for Peering GmbH (2017: \$944,883).
- ii. \$70,117 (EUR 50,000) for OMNIX Group EAD, which has been paid in current year.

(b) Fair value measurement

The following table presents the changes in the above financial liabilities for the year ended 30 June 2018:

	Note	Contingent consideration \$
Opening balance 1 July 2016		224,101
Additions	27(b)	951,600
Paid out (cash)		(149,400)
Foreign exchange movement		(11,301)
Closing balance at 30 June 2017		1,015,000
Additions		-
Paid out (cash)		(73,890)
Foreign exchange movement		54,115
Closing balance at 30 June 2018		995,225

For these instruments, their carrying value is considered to be a reasonable approximation of their fair value. This is due to both their short-term nature and the fact that the funds were transferred to be held in trust at an escrow agent by day one of the recognition of the payable within the Group. As the impact of the time value of the final payment has already been incurred, discounting is not considered an accurate reflection of the payable.



18 Issued capital

Ordinary shares	Notes	2018 Shares	2018 \$	2017 Shares	2017 \$
Fully paid	(a)	117,803,182	166,839,973	88,234,994	80,135,544
Total issued capital		117,803,182	166,839,973	88,234,994	80,135,544

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(a) Fully paid ordinary shares

Movements in ordinary shares	Number of shares	Total \$
Balance at 1 July 2016	70,000,000	50,109,608
Shares issued - Private Placement	10,500,000	17,850,000
Shares issued - Share Placement Plan	7,734,994	13,149,490
Less: Transaction costs arising on share issues, net of tax	-	(973,554)
Balance at 30 June 2017	88,234,994	80,135,544
Shares issued - Private Placement	26,568,583	77,794,025
Shares issued - Share Purchase Plan	2,666,271	9,998,516
Shares issued - Employee share options exercised	333,334	610,850
Less: Transaction costs arising on share issues, net of tax	-	(1,698,962)
Balance at 30 June 2018	117,803,182	166,839,973

During the year, the following capital raising transactions occurred:

- On 4 July 2017, Megaport issued 13,235,249 shares at an issue price of \$2.10 per share, raising \$27.8 million. The shares were issued at a discount of 6.7% based on the last trading price on 27 June 2017. The transaction was fully underwritten by Morgans Corporate Limited and Royal Bank of Canada. \$11.4 million was received in relation to this capital raising prior to 30 June 2017. The remainder was received by the date of issue; and
- On 20 March 2018, Megaport announced it would raise \$50 million in new equity via a placement to institutions, sophisticated and professional investors (Placement) and up to \$10 million via a Share Purchase Plan (SPP) at an issue price of \$3.75 per share. The shares were expected to be issued at a discount of 7.4% based on the last trading price on 19 March 2018. The Placement was fully underwritten by Royal Bank of Canada and Morgans Corporate Limited. Megaport issued 13,333,334 shares under the Placement on 21 March 2018 and issued 2,666,271 shares under SPP on 20 April 2018.

The new shares issued are ordinary shares and rank equally with existing Megaport ordinary shares.



(b) Capital management

The Group maintains a conservative funding structure that allows it to meet its operational and regulatory requirements, while providing the capital to fund the future strategic growth plan as outlined in previous investor presentations.

The Group's capital structure includes unrestricted cash (refer note 9) and equity attributable to the parent's equity holders.

When determining dividend returns to shareholders the Board considers a number of factors, including the Group's anticipated cash requirements to fund its growth, operational plan, and current and future economic conditions. The Group is not bound by externally imposed capital requirements. According to these anticipated needs and the current strategic growth plan being executed, the Board's current policy is to not issue dividends.

	Notes	2018 \$	2017 \$
Total borrowings		58,894	222,702
Total equity		80,203,563	30,223,200
Gearing ratio		0.1%	0.7%

19 Reserves

	Notes	2018 \$	2017 \$
Foreign currency translation reserve	(a)	(881,083)	761,663
Equity-settled employee benefit reserve	(b)	1,901,848	1,078,732
Share allotment reserve	(c)	-	11,441,287
		1,020,765	13,281,682

The following table shows a breakdown of the 'reserves' line item as per the Consolidated Statement of Financial Position, and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

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	Notes	Foreign currency translation \$	Equity- settled employee benefit \$	Share allotment reserve \$	Total \$
Balance at 01 July 2016		185,516	133,973	-	319,489
Exchange differences arising on translation of foreign operations		576,147	-	-	576,147
Recognition of share-based payments		-	944,759	-	944,759
Cash received for shares not yet issued		-	-	11,441,287	11,441,287
Balance at 30 June 2017		761,663	1,078,732	11,441,287	13,281,682
Balance at 01 July 2017		761,663	1,078,732	11,441,287	13,281,682
Exchange differences arising on translation of foreign operations		(1,642,746)	-	-	(1,642,746)
Recognition of share-based payments		-	823,116	-	823,116
Transfers to issued capital		-	-	(11,441,287)	(11,441,287)
Balance at 30 June 2018		(881,083)	1,901,848	-	1,020,765

(a) Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating the net assets of foreign operations) are reclassified to profit or loss on the disposal or discontinuation of foreign operations.

(b) Equity-settled employee benefit reserve

The equity-settled employee benefit reserve relates to share options granted by the Company to its employees under ESOP 2015 & ESOP General. Further information about equity-settled employee benefit is set out in note 21.

(c) Share allotment reserve

The share allotment reserve relates to cash received for 5,448,232 shares, allocated on 30 June 2017, and subsequently issued on 4 July 2017. Total shares issued on 4 July 2017 were 13,235,249 (refer note 18(a)).

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20 Accumulated losses

Movements in accumulated losses were as follows:

	2018 \$	2017 \$
Balance at beginning of year	(51,280,117)	(21,345,210)
Net loss attributable to owners of the Company	(24,463,149)	(29,934,907)
Balance at end of year	(75,743,266)	(51,280,117)

21 Equity-settled employee benefit

(a) Share options granted under Megaport's employee share option plan (ESOP General)

(i) *Details of the ESOP General of the Company*

The Company has a share option scheme for executives and employees of the Company and its subsidiaries. In accordance with the terms of the plan, as approved by the Directors on 2 November 2015, executives and employees of the Group may be granted options to purchase ordinary shares at the Board's discretion, based on requests and recommendations from the senior executive team.

Each employee share option converts into one ordinary share of the Company on exercise. Amounts are paid or payable by the recipient on exercising the option, and are individual to that employee's option plan agreement. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is individual to that employee's option plan agreement and again at the Board's discretion. The options reward executives and employees to the extent of meeting service conditions or performance conditions specific to the individual's agreement.

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(i) *Details of the ESOP General of the Company (Continued)*

The following arrangements under the ESOP General were in existence as of 30 June 2018:

Options series	Number of options issued	Number of outstanding options	Grant date	Vesting date	Expiry date	Exercise price \$	Fair value at grant date \$
Series 2016 – 1	150,000	-	07/07/2016	07/07/2019	06/07/2020	1.87	0.8107
Series 2016 – 2	600,000	133,334	23/08/2016	23/08/2017 – 23/08/2019	22/08/2018 – 22/08/2020	1.85	0.8330 – 1.1023
Series 2016 – 3	200,000	-	30/08/2016	30/08/2017 – 30/08/2019	29/08/2018 – 29/08/2020	1.65	0.9904 – 1.2336
Series 2016 – 4	200,000	100,000	07/09/2016	07/09/2017 – 07/09/2019	06/09/2018 – 06/09/2020	1.84	1.0693 – 1.3428
Series 2016 – 5	140,000	119,000	12/09/2016	12/09/2017 – 12/09/2019	11/09/2018 – 11/09/2020	1.91	0.9346 – 1.2166
Series 2016 – 6	175,000	143,334	30/09/2016	17/10/2017 – 17/10/2019	29/09/2018 – 29/09/2020	2.02	1.0739 – 1.3754
Series 2016 – 7	200,000	200,000	05/10/2016	05/10/2019	04/10/2020	2.02	1.4078
Series 2016 – 8	490,000	326,667	17/10/2016	17/10/2017 – 17/10/2019	16/10/2018 – 16/10/2020	2.02	1.0421 – 1.3432
Series 2016 – 9	100,000	100,000	02/12/2016	23/11/2017	23/11/2019	2.02	0.8417
Series 2017 – 1A	25,000	25,000	01/01/2017	01/01/2018 – 01/01/2020	31/12/2018 – 31/12/2020	1.84	0.9256 – 1.2223
Series 2017 – 1B	60,000	48,550	01/01/2017	01/01/2018 – 01/01/2021	31/12/2018 – 31/12/2021	1.84	0.9256 – 1.3370
Series 2018 - 1	60,000	60,000	14/07/2017	31/10/2017-31/10/2019	13/10/2018-13/07/2020	1.79	0.6391- 0.9274
Series 2018 - 2	50,000	50,000	25/07/2017	01/07/2018-01/07/2020	25/07/2019-24/07/2021	1.75	0.7829- 1.0656
Series 2018 - 3	575,000	200,000	01/10/2017	01/04/2018-01/10/2020	01/04/2019-01/10/2021	1.69	0.6852- 0.8603
Series 2018 - 4	150,000	150,000	31/03/2018	31/03/2019-31/03/2021	30/03/2020-30/03/2022	3.07	1.2424- 1.7212
Series 2018 - 5	20,000	20,000	31/03/2018	31/12/2018	29/12/2019	3.07	1.0417
Series 2018 - 6	50,000	50,000	31/03/2018	31/03/2019-31/03/2021	30/03/2020-30/03/2022	3.07	1.1155- 1.5303
Series 2018 - 7	1,200,000	1,200,000	03/04/2018	19/02/2019-19/02/2021	02/02/2020-02/02/2022	2.93	1.1084- 1.5364
	4,445,000	2,925,885					

All options are exercisable from their vesting date to their expiry date, or 60 days after the resignation of the executive or employee, or 30 days on termination for a serious breach, whichever is the earlier.

(ii) *Fair value of share options granted in the year*

The weighted average fair value of the share options granted during the financial year is \$0.91 (2017: \$1.10). Options were priced using a Black-Scholes pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting service and/or performance conditions attached to the option), and behavioral considerations. Expected volatility is based on either the historical share price volatility of the life of the Company or for earlier series granted.



Option series	Grant date share price \$	Exercise price \$	Expected volatility %	Expected option life Years	Dividend yield %	Risk-free interest rate %
Series 2016 – 1	1.95	1.87	54	3.5	-	1.5225
Series 2016 – 2	2.33	1.85	54	1.5 – 3.5	-	1.4075 – 1.4400
Series 2016 – 3	2.39	1.65	54	1.5 – 3.5	-	1.4075 – 1.4400
Series 2016 – 4	2.62	1.84	54	1.5 – 3.5	-	1.5600
Series 2016 – 5	2.50	1.91	54	1.5 – 3.5	-	1.5600
Series 2016 – 6	2.75	2.02	54	1.5 – 3.5	-	1.6725 – 1.6925
Series 2016 – 7	2.79	2.02	54	3.5	-	1.6925
Series 2016 – 8	2.71	2.02	54	1.5 – 3.5	-	1.6725 – 1.6925
Series 2016 – 9	2.33	2.02	54	2	-	1.7150
Series 2017 – 1A	2.42	1.84	54	1.5 – 3.5	-	2.6800 – 3.1700
Series 2017 – 1B	2.42	1.84	54	1.5 – 4.5	-	2.6800 – 3.3900
Series 2018 - 1	2.20	1.79	54	0.75- 2.5	-	1.6725- 1.6925
Series 2018 - 2	2.20	1.75	54	1.5- 3.5	-	1.6725 - 2.69
Series 2018 - 3	1.93	1.69	54	1- 3.5	-	1.6725 -1.6925
Series 2018 - 4	3.70	3.07	45	1.5- 3.5	-	2.73- 2.79
Series 2018 - 5	3.70	3.07	45	1.25	-	2.59
Series 2018 - 6	3.70	3.07	45	1.5- 3.5	-	2.59- 2.79
Series 2018 - 7	3.70	2.93	45	1.5- 3.5	-	2.49- 2.73

(iii) *Movements in share options during the year*

The following reconciles the share options outstanding at the beginning and end of the year:

	2018		2017	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the year	2,115,000	1.91	-	-
Granted during the year	2,105,000	2.55	2,340,000	1.91
Forfeited during the year	(960,781)	1.77	(225,000)	1.92
Exercised during the year [^]	(333,334)	1.83	-	-
Balance at end of the year	2,925,885	2.42	2,115,000	1.91

[^] The weighted average share price at the date of exercise of these options was \$3.64.



(iii) *Movements in share options during the year (Continued)*

The number of options that have vested and become exercisable in the current reporting year was 1,080,669 (2017: nil). No options expired during the current year (2017: nil).

(iv) *Share options outstanding at the end of the year*

The share options outstanding at the end of the year had a weighted average exercise price of \$2.42 (2017: \$1.91), and a weighted average remaining contractual life of 520 days (2017: 855 days).

(b) Share options granted under Megaport's 2015 employee share option plan (2015 ESOP)

(i) *Details of the 2015 ESOP of the Company*

The establishment of the Megaport Limited 2015 Employee Share Option Plan was approved by the shareholders at the 2 November 2015 shareholders' meeting. The 2015 ESOP is designed to provide long-term incentives for senior managers and above (including Directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest when a pre-determined length of service is met. It is at the Board's discretion to whom options are awarded.

Once vested, the options remain exercisable for periods ranging from 12 to 24 months, depending on the individual agreement. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The exercise price has been set at the commencement of the agreement.

The following share-based payment arrangements were in existence as of 30 June 2018:

Options series	Number of options issued	Number of options outstanding	Grant date	Vesting date	Expiry date	Exercise price \$	Fair value at grant date \$
Series 1	300,000	300,000	28/11/2015	27/11/2016	27/11/2018	1.25	0.298
Series 2	200,000	100,000	28/11/2015	27/11/2017	27/02/2019	1.25	0.343
Series 3	800,000	800,000	28/11/2015	27/11/2018	27/11/2019	1.25	0.397
	1,300,000	1,200,000					

All options are exercisable from their vesting date to their expiry date, or 60 days after the resignation of the executive or employee, or 30 days on termination for a serious breach, whichever is the earlier.

(ii) *Fair value of share options granted in the year*

The weighted average fair value of the share options granted during the financial year is \$nil (none granted) (2017: \$nil). Options were priced using a Black-Scholes pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting service and/or performance conditions attached to the option), and behavioral considerations. The expected price volatility is based on the historic volatility of similar companies within the industry, adjusted for any expected changes to future volatility due to publicly available information.



(iii) *Movements in share options during the year*

The following reconciles the share options outstanding at the beginning and end of the year:

	2018		2017	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the year	1,200,000	1.25	1,300,000	1.25
Granted during the year	-	-	-	-
Forfeited during the year	-	-	(100,000)	1.25
Balance at end of the year	1,200,000	1.25	1,200,000	1.25

100,000 options have vested and become exercisable in the current reporting year (2017: 300,000). No options expired during the current reporting year (2017: nil).

(iv) *Share options outstanding at the end of the year*

The share options outstanding at the end of the year had a weighted average exercise price of \$1.25 (2017: \$1.25), and a weighted average remaining contractual life of 287 days (2017: 766 days).

(c) Employee Share Plan

The Company has a share scheme for executives and employees of the Company and its subsidiaries. In accordance with the terms of the plan, eligible executives and employees of the Group are granted up to A\$1,000 worth of shares in the Company. In June 2018, the Group communicated the eligible executives and employees as of 1 June 2018 would be receiving the number of shares equivalent to \$1,000, which has been accrued in the financial statements as of 30 June 2018.

Shares are issued under the ESP at no consideration and carry the same dividend and voting rights as existing shares. However, the ESP shares are subject to a holding lock until the earlier of three years from the date of issue and the date on which the participant ceases to be employed by the Group.

On 31 July 2018, the Company issued 28,380 shares to participating executives and employees (ie. 258 shares per participant) under the ESP. The number of shares was determined based on \$1,000 divided by the acquisition price of \$3.87 (being the 5-day VWAP of shares in the Company prior to 1 June 2018) and rounded down to the nearest whole share. Participation in the plan was offered to permanent employees of the Group employed (on a continuous service basis) as at 1 June 2018 and as at 31 July 2018 (ie the date of allocation of the shares).

(d) Expenses arising from equity-settled employee benefit transactions

Total expenses arising from equity-settled employee benefit transactions recognised during the year as part of employee expenses were as follows:

	Notes	2018 \$	2017 \$
Options issued under ESOP General	(a)	732,935	834,889
Options issued under 2015 ESOP	(b)	90,181	109,870
Employee Share Plan	(c)	111,000	-
Total expense		934,116	944,759



22 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Board reviews and agrees policies for managing any risks that are considered significant to the Group, which are summarised in this note.

The Group holds the following financial instruments:

	Notes	2018 \$	2017 \$
<i>Financial assets</i>			
Cash and cash equivalents	9	55,760,704	21,027,324
Trade and other receivables	10	3,397,024	1,569,768
Deposits and bonds	11	313,653	53,573
Other financial assets		509,361	500,619
Total financial assets		59,980,742	23,151,284
<i>Financial liabilities</i>			
Trade and other payables	15	10,400,762	8,889,820
Borrowings	16	58,894	222,702
Contingent consideration for business combinations	17	995,225	1,015,000
Total financial liabilities		11,454,881	10,127,522

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, price risk and interest rate risk.

(i) Foreign exchange risk

The Group operates internationally and is subject to foreign exchange risk arising from exposure to foreign currencies. The Group's earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the Group's sales and the countries in which it operates. The Australian dollar (AUD), however, is the currency in which the majority of the Group's sales are denominated. Operating costs and capital expenditure are influenced by the currencies of those countries where the Group's data centres and fibre and connectivity links are located. In the current year, the US dollar and the Euro were the most important currencies (apart from the AUD) influencing costs. In any particular year, currency fluctuations may have a significant impact on the Group's financial results. A strengthening of the AUD against the currencies in which the Group's costs are partly determined has a positive effect on the Group's net profit / (loss). However, a strengthening of the AUD does reduce the value of non-AUD denominated net assets and therefore total equity.

Given the dominant role of the AUD in the Group's operations, the AUD is the currency in which financial results are presented both internally and externally. It is also the most appropriate currency for financing the Group's operations. Cash is predominantly denominated in AUD.



(i) *Foreign exchange risk (Continued)*

Certain AUD cash reserves and other financial assets and liabilities, including intercompany balances, are held in currencies other than the functional currency of the relevant subsidiary. This results in an accounting exposure to exchange gains and losses as the financial assets and liabilities are translated into the functional currency of the subsidiary that holds those assets and liabilities. These exchange gains or losses are recorded on the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Almost all of the Group's cash and cash equivalents are denominated in Australian dollars. The table below summarises the Group's cash and cash equivalents by currency:

Currency funds held in	Notes	2018 \$	2017 \$
Australian dollar		50,135,224	16,412,943
US dollar		2,867,958	2,681,571
Euro		2,341,935	1,456,969
Sterling		84,661	146,497
Swiss franc		135,544	136,538
Singapore dollar		54,014	95,774
Other		141,368	97,032
Total cash and cash equivalents		55,760,704	21,027,324

The Group adopts various procedures and policies to manage foreign currency risk where practical. These procedures include the use of natural hedges arising from trading operations and subsidiaries' results, forecasting of future cash flows by currency, and the implementation of a Board-approved foreign currency hedging policy this reporting year. The hedging policy involves ensuring three months of operating costs and specified capital expenditure amounts are held in currencies significant to the Group. Currencies are converted once a month to meet these cash flow levels, hedging the Group against fluctuations in foreign currency.

Sensitivity

The table below gives an estimated retranslation effect on financial assets and financial liabilities of a ten percent strengthening in the closing exchange rate of the AUD against significant currencies. The sensitivity associated with a ten percent weakening of a particular currency would be broadly equal and opposite to the figures presented. The impact is expressed in terms of the effect on net profit/(loss). The sensitivities are based on financial assets and liabilities held at 30 June 2018, where balances are not denominated in the functional currency of the subsidiary. These balances will not remain constant throughout the next financial year, and therefore the following information should be used with care.

Gains/(losses) associated with ten per cent strengthening of AUD	2018		2017	
	Closing exchange rate AUD	Effect on net profit / (loss) \$	Closing exchange rate AUD	Effect on net profit / (loss) \$
US dollar	1.4843	286,796	1.1708	2,340,594
Sterling	1.9597	8,466	1.5223	713,903
Singapore dollar	1.0883	5,401	0.8500	273,809
Hong Kong dollar	0.1891	7,559	0.1500	183,613
New Zealand dollar	1.0054	-	0.8573	108,726
Euro	1.7339	234,194	1.3375	95,061

The Group's exposure to other foreign exchange movements is not material.



(ii) *Price risk*

The Group is not exposed to any equity securities price risk or commodity price risk.

(iii) *Cash flow and fair value interest rate risk*

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Group's main interest rate risk arises from various short-term deposits and high interest cash at bank accounts (refer note 9).

Sensitivity

At 30 June 2018, if interest rates had increased by 100 basis points from the year end and rates with all other variables held constant, post-tax loss for the year would have been \$22,208 lower/ \$22,208 higher (2017: \$3,854 lower / \$3,854 higher), mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

Credit risk arises from cash and cash equivalents, trade receivables, and other receivables.

(i) *Cash and cash equivalents*

With respect to cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group's cash (refer to note 9), is held at financial institutions with the following credit ratings:

	2018		2017	
	\$	Credit Rating ¹	\$	Credit Rating ¹
Australia	2,163,015	A+	17,273,000	A+
Australia	48,480,343	AA-	1,063,515	AA-
North America	1,095,697	AA-	270,229	AA-
North America	1,025,942	A+	389,972	A+
Asia	322,700	AA-	273,509	AA-
Europe	1,258,364	AA-	456,126	AA-
Europe	135,538	AAA	136,625	AAA
Europe	-	-	47,194	A-
Europe	140,181	A+	31,949	A+
Europe	1,138,924	Not applicable ²	1,085,205	Not applicable ²
Total	55,760,704		21,027,324	

1. In determining the credit quality of these financial assets, Megaport Limited has used the long-term rating from Standard & Poor's as of July 2018 (2017: July 2017).

2. The majority of these funds are held in ESCROW in line with the business combination agreements of and Peering GmbH (refer note 27(b)).



(ii) *Trade receivables*

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit evaluations are performed on all customers. The Group does not require collateral in respect of financial assets. Outstanding customer receivables are monitored regularly.

The Group's credit risk is low due to the nature of transactions being small in value and high in volume of customers. To illustrate this, at 30 June 2018, more than 201 customers owed the Group \$2.6m and accounted for approximately 86% of all the trade receivables owed to the Group. Also, not one customer accounts for more than 10% of total revenue

Receivable balances are monitored on an ongoing basis with the intention that the Group's exposure to bad debts is minimised.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due.

At the end of the year, the Group held cash and cash equivalents of \$55.76million (2017: \$21.03million).

The Group manages liquidity risk by monitoring cash flows and estimating future operational draws on cash reserves.

Financing arrangements

At 30 June 2018, the Group had finance leases (refer to note 16). There were no other debt facilities, used or unused (2017: nil).

(i) *Maturities of financial liabilities*

The following table reflects all contractual repayment profile resulting from recognised financial liabilities as at 30 June 2018.

The Group's financial liabilities comprise trade and other payables, borrowings and other financial liabilities, and no derivative financial instruments are held. The respective undiscounted cash flows for the respective future periods are included in the following table. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2018.

The table below details the Group's remaining contractual maturity for its non-derivative financial liabilities within agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows for interest bearing liabilities.



	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	Total \$	Carrying amount \$
<i>30 June 2018</i>							
Trade and other payables	-	5,313,673	1,136,273	3,950,816	-	10,400,762	10,400,762
Borrowings	12.2%	14,164	17,455	28,612	-	60,231	58,894
Contingent consideration for business combinations	-	-	995,225	-	-	995,225	995,225
Total		5,327,837	2,148,953	3,979,428	-	11,456,218	11,454,881
<i>30 June 2017</i>							
Trade and other payables	-	5,828,500	142,600	2,855,241	63,479	8,889,820	8,889,820
Borrowings	12.2%	18,039	36,077	133,484	62,296	249,896	222,702
Contingent consideration for business combinations	-	70,117	-	-	944,883	1,015,000	1,015,000
Total		5,916,656	178,677	2,988,725	1,070,658	10,154,716	10,127,522

23 Contingent liabilities

The Group has no contingent liabilities at reporting date (2017: nil).

24 Commitments

(a) Finance lease commitments – Group as lessee

As part of the acquisition of Peering GmbH, the Group acquired finance lease commitments for the leasing of certain network equipment in Germany. The Group has the option to purchase the equipment for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.



(a) Finance lease commitments – Group as lessee (Continued)

Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 12.2% per annum.

	Notes	Minimum lease payments		Present value of minimum lease payments	
		2018 \$	2017 \$	2018 \$	2017 \$
Within one year		60,231	187,601	58,894	167,202
After one year but not more than five years		-	62,296	-	55,500
		60,231	249,897	58,894	222,702
Less: future finance charges		1,337	27,195	-	-
Present value of minimum lease payments		58,894	222,702	58,894	222,702
Included in the Consolidated Statement of Financial Position as:					
Current borrowings	16			58,894	167,202
Non-current borrowings	16			-	55,500
				58,894	222,702

(b) Operating lease commitments – Group as lessee

The Group has entered into commercial leases for the rental of premises, rack space in data centres, and rental of connectivity resources under non-cancellable operating leases expiring within one to five years. These leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Commitments for future minimum lease payments in relation to non-cancellable operating leases as at 30 June are as follows:

	Notes	2018 \$	2017 \$
Within one year		8,180,404	7,818,025
After one year but not more than five years		4,141,770	6,782,527
Total		12,322,174	14,600,552

(c) Direct network cost commitments

Commitments for direct network costs, other than operating leases, contracted for at the end of the year but not recognised as liabilities, are as follows:

	Notes	2018 \$	2017 \$
Within one year	(a)	80,000	73,498
After one year but not more than five years	(a)	320,000	320,000
More than five years	(a)	309,349	396,254
Total		709,349	789,752

(a) These commitments are regarding contracts with a related party. Refer to note 28(d)(ii) for further details.



25 Events occurring after the financial year

The Group is not aware of any matters or circumstances that have arisen since the end of the year which have significantly affected or may significantly affect the operations and results of the consolidated entity.

26 Interest in other entities

The Group's subsidiaries at 30 June 2018 are set out in the following table. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Notes	Place of business/ country of incorporation	Ownership interest held by the Group	
			2018 %	2017 %
Megaport (Services) Pty Ltd	(a)	Australia	100	100
Megaport (Australia) Pty Ltd	(a)	Australia	100	100
Megaport (Singapore) Pte Ltd		Singapore	100	100
Megaport (Hong Kong) Limited		Hong Kong	100	100
Megaport (USA) Inc.		United States of America	100	100
Megaport (UK) Limited		United Kingdom	100	100
Megaport (New Zealand) Limited		New Zealand	100	100
Megaport (Canada) Inc.		Canada	100	100
Megaport (Netherlands) B.V.		The Netherlands	100	100
Megaport (Ireland) Limited		Republic of Ireland	100	100
Megaport (Deutschland) GmbH	(b)	Germany	100	100
Megaport (Europe) Limited		United Kingdom	100	100
Megaport (Italia) S.R.L	(c)	Italy	-	100
Megaport (Schweiz) AG		Switzerland	100	100
Megaport (Sweden) AB		Sweden	100	100
Megaport Networks (Espana) S.L.	(c)	Spain	-	100
OMNIX Group EAD		Republic of Bulgaria	100	100
Peering GmbH	27(b)	Germany	100	100
European Voice Link Limited	27(a)	Germany	100	-
Eastern Voice Link EOOD	27(a)	Republic of Bulgaria	100	-

(a) These entities are a part of the Australia tax-consolidated group with the head entity, Megaport Limited, effective the earlier of 2 August 2015, incorporation date, or acquisition date.

(b) The company is under de-registration process as at 30 June 2018.

(c) The companies were de-registered in current year.



27 Business combinations

(a) Acquisition of Eastern Voice Link EOOD

On 14 May 2018, Megaport Limited acquired 100% of the shares of Eastern Voice Link EOOD, a company registered in the Republic of Bulgaria via a shell company European Voice Link Limited. The company provides network related services.

The purchase consideration for the acquisition was \$118,027 (Euro 75,000). The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	4,541
Trade and other receivables	94,166
Current tax asset	52
Trade and other payables	(92,975)
Intangible assets: customer contracts & relationships	123,467
Deferred tax liability on intangible assets	(11,224)
Net assets acquired	118,027

(i) Acquisition costs

Acquisition-related costs of \$19,525 are included in professional fees in the Statement of Profit or Loss and Other Comprehensive Income and in investing cash flows in the Statement of Cash Flows.

(ii) Acquired receivables

The fair value of the acquired trade receivables is \$94,166, which has been collected post acquisition.

(iii) Revenue and profit contribution

The acquired business contributed revenues of \$nil and net loss before tax \$6,601 to the Group for the period from 14 May 2018 – 30 June 2018. If the acquisition had occurred on 1 July 2017, the revenue and net loss after tax contributed to the Group for the year would have been \$507,376 and \$118,234 respectively. These figures are management's best estimate with the information available at the date of the report. These amounts have been calculated using the subsidiary's results and adjusting them for the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 July 2017, together with the consequential tax effects.

(b) Prior year – Acquisition of Peering GmbH

On 11 August 2016, Megaport (Europe) Limited acquired 100% of the shares in Peering GmbH, which operates under the brand ECIX, based in Berlin, Germany. Peering GmbH is Germany's second largest Internet Exchange operator, and this acquisition allows Megaport to expand their Europe network by an additional 30 locations and gain additional revenue at a higher margin via economies of scale through existing colocation and connectivity agreements. Core Peering GmbH leadership team will remain as managers of the operation.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:



(b) Prior year – Acquisition of Peering GmbH (Continued)

Purchase consideration

The initial cost of the acquisition was \$951,600 (EUR 650,000) paid in cash, with further contingent consideration payable in two years, less any warranties, representations or claims incurred within the two years. The fair value of the contingent consideration arrangement is \$951,600 (EUR 650,000) and has not been discounted as the funds are being held in escrow until payable to the seller.

	\$
Initial cash paid	951,600
Acquisition date fair value contingent consideration (note 17(b))	951,600
Total acquisition date fair value consideration	1,903,200

The Group expects to be liable for the full contingent consideration, and therefore was assessed to determine the acquisition date fair value of this contingent consideration. The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	107,124
Trade and other receivables	171,040
Prepayments	43,389
Property, plant and equipment	677,159
Trade and other payables	(353,872)
Current tax liability	(127,857)
Deferred revenue	(83,094)
Finance leases payable	(420,003)
Intangible assets: software	11,656
Intangible assets: brand name	35,300
Intangible assets: network rights	553,600
Intangible assets: customer contracts & relationships	287,300
Deferred tax liability on Intangible assets	(264,393)
Net identifiable assets acquired	637,349
Add: Goodwill on acquisition	1,265,851
Net assets acquired	1,903,200

The consideration payable for the combination effectively includes amounts in relation to the benefit of expected synergies, revenue growth and the management and workforce of the acquiree.

The acquisition has been accounted for as finalised.

(iv) Acquisition costs

Acquisition-related costs of \$180,672 are included in professional fees in the Statement of Profit or Loss and Other Comprehensive Income and in investing cash flows in the Statement of Cash Flows.

(v) Acquired receivables

The fair value of the acquired trade receivables is \$169,480 (EUR 115,765). The gross contractual amount for trade receivables due is \$271,960 (EUR 185,765), of which \$102,480 (EUR 70,000) is expected to be uncollectable.



(b) Prior year – Acquisition of Peering GmbH (Continued)

(vi) Revenue and profit contribution

The acquired business contributed revenues of \$3,924,484 and net profit before tax \$52,930 to the Group for the period from 11 August 2016 – 30 June 2017. If the acquisition had occurred on 1 July 2016, the revenue and net profit after tax contributed to the Group for the year would have been \$4,421,101 and \$59,628 respectively. These figures are management's best estimate with the information available at the date of the report. 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 to property, plant and equipment and intangible assets had applied from 1 July 2016, together with the consequential tax effects.

28 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Parent entity

The ultimate parent entity within the Group is Megaport Limited.

(b) Subsidiaries

Interest in subsidiaries are set out in note 26.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	Notes	2018 \$	2017 \$
Short-term benefits		1,455,182	1,192,200
Post-employment benefits		118,586	78,006
Long-term benefits		10,905	5,166
Equity-settled employee benefit		391,534	294,883
Total		1,976,207	1,570,255

The remuneration of directors and key executives is determined by the Remuneration & Nomination Committee having regard to the performance of individuals and market trends.

Detailed remuneration disclosures are provided in the Remuneration Report in the Director's Report.



(d) Transactions with other related parties

During the year, group entities entered into the following transactions with related parties that are not members of the Group:

	Notes	2018 \$	2017 \$
<i>Sales and purchases of goods and services</i>			
Purchase of shared services from entities controlled by key management personnel	(i)	67,620	295,435
Purchase of direct network costs from entities related to key management personnel	(ii)	2,049,295	1,019,059
Purchase of intangible assets from entities related to key management personnel	(ii)	-	3,899,988
<i>Other transactions</i>			
Employee compensation of associates to key management personnel		45,470	38,145
Subscription of new ordinary shares as a result of the share placement plan:			
By key management personnel		-	7,266
By other related parties		-	33,419

(i) Shared services agreement

The Company entered into a shared services agreement with Capital B Pty Ltd ACN 162 622 282 (Capital B), a company controlled by the Founding Shareholder, Bevan Slattery. Under the agreement, Capital B provides certain services to the Company (e.g. administrative and information technology services). The services are charged on the basis of the actual cost to Capital B, allocated on the time Capital B employees spend providing services to the Company. The obligations on Capital B under the agreement are typical for a services agreement, and require that Capital B provide the services with due care, skill and judgment, comply with the law in providing the services and effect appropriate insurance. Capital B may seek reimbursement for certain expenses incurred in connection with the provision of services under the agreement. Either party may terminate the agreement for convenience on 60 days' written notice.

(ii) Supplier agreement with Superloop

Megaport Australia and Megaport Singapore have entered into agreements to acquire dark fibre services from Superloop (Australia) Pty Ltd (Superloop Australia) and Superloop (Singapore) Pte. Ltd (Superloop Singapore), respectively, which are both companies related to the Founder through the ASX-listed Company Superloop Limited. Under the agreements, Megaport Australia and Megaport Singapore issued a service order form to Superloop Australia and Superloop Singapore (as applicable) which sets out the nature of the services requested and confirms the applicable monthly fee. The terms of the master services agreement are consistent with the supply agreements that Megaport Australia and Megaport Singapore have entered into with third-party suppliers for similar services in the same region.



(ii) *Supplier agreement with Superloop (Continued)*

In April 2017, Megaport Australia and Megaport Hong Kong entered into an "Indefeasible Rights of Use" (IRU) Agreement with Superloop Australia and Superloop (Hong Kong) Limited and Megaport Singapore entered into a long term agreement with Superloop Singapore both for the exclusive right to use fibre. Under these agreements, Superloop would provide fibre to Megaport for the term of the agreements, which is 10 years. The initial amounts payable in relation to these agreements are payable upon execution of the related fibre order and at the end of the first year of the term, with monthly amounts payable over the term of the agreement. The IRU agreement includes the option to extend the fibre term for a further period subject to the agreement of both parties, and by Megaport (Hong Kong) Limited giving written notice to Superloop (Hong Kong) Limited no later than 3 months prior to the expiry of the term. These agreements also include a maintenance fee payable monthly.

The total commitments for minimum payments in relation to Superloop supplier agreements, not already recognised as liabilities, are payable in future as follows:

	Notes	2018 \$	2017 \$
<i>Operating lease commitments</i>			
Within one year		312,844	833,794
After one year but not more than five years		-	1,129,291
		312,844	1,963,085
<i>Other contractual commitments</i>			
Within one year		80,000	73,498
After one year but not more than five years		320,000	320,000
More than five years		309,349	396,254
		709,349	789,752
Total		1,022,193	2,752,837

(e) **Outstanding balances arising from other related parties**

The following balances were outstanding at the end of the year:

	Notes	2018 \$	2017 \$
<i>Amounts owed by related parties</i>			
Entities related to key management personnel		9,464	7,323
		9,464	7,323
<i>Amounts owed to related parties</i>			
Key management personnel		-	38,336
Entities related to key management personnel		641,596	3,591,130
		641,596	3,629,466

(f) **Terms and conditions**

Directors for the Group hold other directorships as detailed in the Directors' Report. Where any of these related entities are customers or suppliers of the Group, the arrangements are on similar terms to other customers or suppliers respectively. All transactions were made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.



29 Parent entity financial information

(a) Summary financial information

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

Notes	2018 \$	2017 \$
Statement of Financial Position		
Current assets	49,492,080	16,633,274
Non-current assets	110,315,283	69,229,655
Total assets	159,807,363	85,862,929
Current liabilities	356,760	232,985
Total liabilities	356,760	232,985
Net assets	159,450,603	85,629,944
Shareholders' equity		
Issued capital	166,839,973	80,135,541
Reserves	1,901,848	12,520,022
Accumulated losses	(9,291,218)	(7,025,619)
Shareholders' equity	159,450,603	85,629,944
Net Loss for the year	(2,265,598)	(2,374,892)
Total comprehensive loss for the year	(2,265,598)	(2,374,892)

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 (2017: nil).

(c) Contractual commitments

The parent did not have any contractual commitments at 30 June 2018 (2017: nil).

The financial information for the parent entity, Megaport Limited, has been prepared on the same basis as the consolidated financial statements.



30 Auditors' remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Notes	2018 \$	2017 \$
Amounts received or due and receivable by:		
<i>Deloitte Touche Tohmatsu Australia (auditor of the parent entity):</i>		
Audits and review of the financial reports of the entity and any other entity in the consolidated group	150,675	139,500
Other services in relation to the entity and any other entity in the consolidated group:	-	-
Total remuneration of Deloitte Touche Tohmatsu Australia	150,675	139,500
<i>Other Deloitte network firms:</i>		
Audit of the financial reports of the entity and any other entities in the consolidated group	22,397	19,998
Total remuneration of Deloitte network firms	22,397	19,998
<i>Related practices of non Deloitte Touche Tohmatsu</i>		
Audit of the financial reports of the entities in the consolidated group	1,006	-
Total remuneration of non Deloitte network firms	1,006	-



DIRECTORS' DECLARATION

In the Directors' opinion:

- a. The financial statements and notes set out on pages 43 to 106 of Megaport Limited ("the Company" or "consolidated entity") are in accordance with the *Corporations Act 2001*, including:
 - i. Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - ii. Giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date,
- b. At the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors made pursuant to s295(5) of the *Corporations Act 2001*.

On behalf of the Board of Directors

Vincent English
Executive Director and Chief Executive Officer

Brisbane
22 August 2018

Independent Auditor's Report to the Members of Megaport Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Megaport Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Carrying value of cash generating units Refer to Note 2(g) – Impairment of assets, Note 13 – Intangible assets and Note 14 – Impairment of goodwill.</p> <p>An impairment assessment has been undertaken as at 30 June 2018 for all cash generating units with indefinite life intangible assets and those for which indicators of impairment have been identified. As at year-end, the group had goodwill of \$1.5 million relating to the acquisitions within the Europe Cash Generating Unit ("CGU").</p> <p>Management conducts annual impairment tests using a discounted cash flow model, to assess the recoverability of the carrying value of the Group's Cash Generating Units ("CGU's").</p> <p>There are a number of key judgements made in determining the inputs into these models including:</p> <ul style="list-style-type: none"> • Identification of Cash Generating Units, • Future cash flows for the CGU's, • Discount Rates, and • Future and Terminal value growth rates. 	<p>In conjunction with our valuation experts our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Challenging the key assumptions and methodology used by management in the impairment model, • Evaluating the appropriateness of management's identification of the Group's CGUs and management's processes around the development of the 'value in use' discounted cash flow model, • Testing on a sample basis the mathematical accuracy of the cash flow model, • Analysing the future projected cash flows used in the model to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of each cash generating unit, • Performing a sensitivity on the key assumptions, including; discount rates and forecast cash flows, including an assessment of the breakeven discount rates relevant to each CGU, and • Assessing the recoverable amount against the carrying value of each cash generating unit. <p>We also assessed the appropriateness of the disclosures in Note 14 to the financial statements.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 39 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Megaport Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



R.G. Saayman
Partner
Chartered Accountants
Brisbane, 22 August 2018



SHAREHOLDER INFORMATION

The shareholder information set out below was applicable at 8 August 2018.

(a) Ordinary share capital

117,898,228 fully paid ordinary shares are held by 5,742 individual shareholders.
All issued ordinary shares carry one vote per share.

Of the total fully paid ordinary shares, 2,500,000 are held in voluntary escrow by one individual shareholder. The escrow period for these shares ends on 16 December 2018.

(b) Options

4,669,219 options are held by 39 individual options holders.
Options do not carry a right to vote.

(c) Distribution of holders of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding	Number of investors	
	Fully paid ordinary shares	Options
1 – 1,000	1,254	-
1,001 – 5,000	2,208	7
5,001 – 10,000	1,173	6
10,001 – 100,000	1,046	16
100,001 and over	61	10
Total	5,742	39

The number of shareholders holding less than the marketable parcel of fully paid ordinary shares is 157.

(d) Substantial shareholders

Substantial shareholders of 5% or more of the fully paid ordinary shares in the Company as at 8 August 2018 are set out as follows:

Name	Number held	Percentage of issued shares
Ordinary shares		
Mr Bevan Andrew Slattery	26,337,607	22.34%
Digital MP LLC	8,721,264	7.40%
Capital Research Global Investors	7,476,000	6.34%



(e) Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of equity securities are listed as follows:

Name	Fully paid ordinary shares	
	Number held	Percentage of issued shares
MR BEVAN ANDREW SLATTERY	26,337,607	22.34
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,130,757	12.83
DIGITAL MP LLC	8,721,264	7.40
J P MORGAN NOMINEES AUSTRALIA LIMITED	6,883,174	5.84
CITICORP NOMINEES PTY LIMITED	3,605,478	3.06
MR MICHAEL DENVER MADDUX	2,500,000	2.12
BNP PARIBAS NOMINEES PTY LTD	2,038,048	1.73
NATIONAL NOMINEES LIMITED	1,959,111	1.66
COLINTON CAPITAL PTY LIMITED	1,472,274	1.25
INTERCONTINENTAL PTY LIMITED	1,399,274	1.19
NEWECONOMY COM AU NOMINEES PTY LIMITED	758,984	0.64
MS BELINDA LAJOIE	700,000	0.59
BOND STREET CUSTODIANS LTD	470,213	0.40
FOLIGNO PTY LIMITED	400,000	0.34
BENSARA PTY LTD	370,000	0.31
OHAKA INVESTMENTS PTY LTD	338,208	0.29
BEEBEE HOLDINGS PTY LTD	303,208	0.26
M EJ C PTY LTD	300,000	0.25
GREAT INCORPORATED	264,968	0.22
TALSON PTY LTD	250,000	0.21
	74,202,568	62.93%

Unquoted equity securities

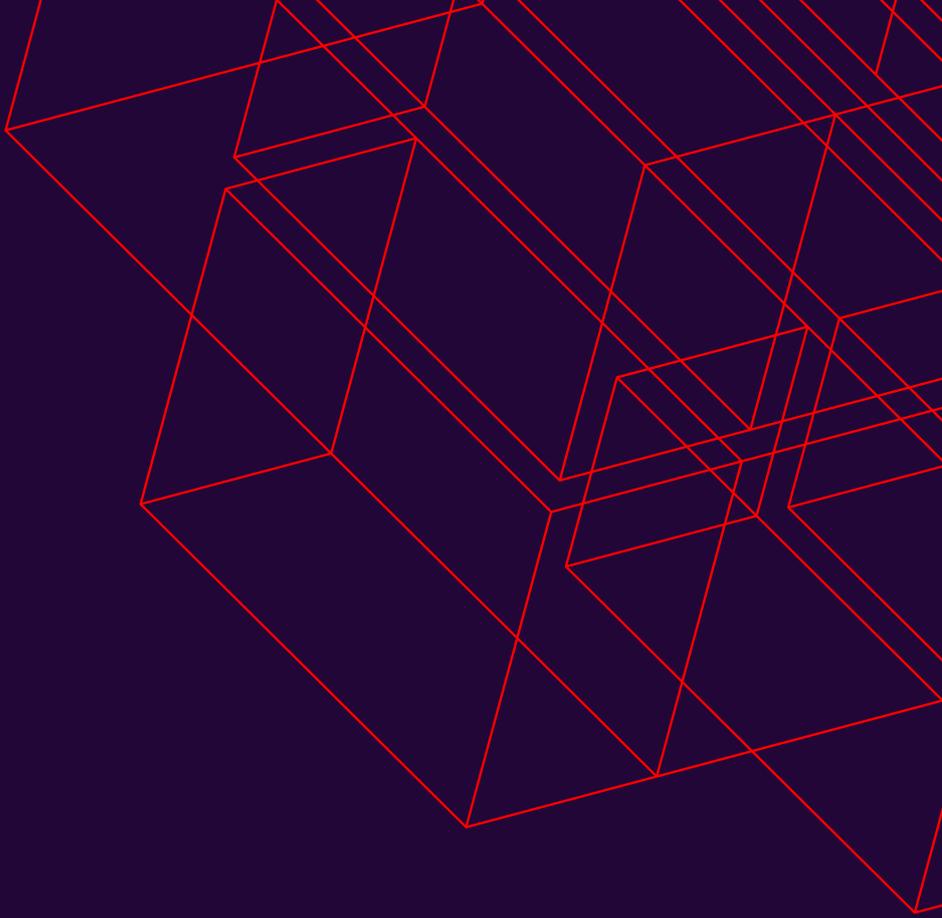
	Number on issue	Number of holders
Options issued under 2015 Employee Share Option Plan (2015 ESOP) to take up ordinary shares	1,200,000	6
Options issued under Employee Share Option Plan (ESOP General) to take up ordinary shares	3,469,219	41



CORPORATE DIRECTORY

Directors	Bevan Slattery Vincent English Simon Moore Drew Kelton Peter Hase
Company Secretary	Celia Pheasant
Notice of Annual General Meeting	The annual general meeting of Megaport Limited Will be held at: Level 11, 66 Eagle Street, Brisbane Time: 10.00am (AEST) Date: Friday 23 November 2018
Principal Registered Office in Australia	Level 4 825 Ann Street Fortitude Valley, QLD 4006
Share Register	LINK Market Services Level 12 680 George Street Sydney, NSW 2000 Phone: 1300 554 474
Auditor	Deloitte Touche Tohmatsu Level 23 123 Eagle Street Brisbane, QLD 4000
Stock Exchange Listing	Megaport Limited shares are listed on the Australian Securities Exchange (ASX).
Website Address	www.megaport.com
ABN	46 607 301 959

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led by Vincent English, Megaport has been built by a highly experienced team with extensive knowledge in building large scale global carrier networks and connects over 1000 customers throughout over 220 data centres globally. Megaport is an Alibaba Cloud Technology Partner, Oracle Cloud Partner, AWS Technology Partner, AWS Networking Competency Partner, Microsoft Azure ExpressRoute Partner, Google Cloud Interconnect Partner, IBM Direct Link Cloud Exchange provider, and Salesforce Express Connect Partner.

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