Appendix 4E

Annual Report

For the financial year ended
30 June 2017

Megaport Limited

ABN: 46 607 301 959

Appendix 4E Annual Report

For the year 01 July 2016 to 30 June 2017

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 2017.

This Appendix 4E covers the reporting period from 01 July 2016 to 30 June 2017. The previous corresponding period is 27 July 2015 (date of incorporation) to 30 June 2016.

Results for Announcement to the Market

Summary of Financial Information

	01 July 2016 to 30 June 2017	27 July 2015 to 30 June 2016	Change $	Change %
Revenue from ordinary activities	10,668,613	2,679,410	7,989,203	298%
Profit/(loss) from ordinary activities after tax attributable to members	(29,934,907)	(21,345,210)	(8,589,697)	40%
Net profit/(loss) for the period attributable to members	(29,934,907)	(21,345,210)	(8,589,697)	40%

Dividends

No dividend has been proposed or declared in respect of the year ended 30 June 2017.

Explanation of revenue and profit/(loss) from ordinary activities

Refer to Media Release – FY17 Full Year Results and Global Update for the year ended 30 June 2017 and the Director's Report Review of Operations in the 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 30 June 2017 Annual Report for the Consolidated Financial Statements and the accompanying notes, including the following specific disclosures:

- Statement of Profit or Loss and Other Comprehensive Income
- Statement of Financial Position
- Statement of Cash Flows
- 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 30 June 2017 Annual Report).

Net tangible asset backing

	30 June 2017 cents	30 June 2016 cents
Net tangible asset backing per ordinary share	24.83	22.48

The number of Megaport shares on issue at 30 June 2017 is 88,234,994 (2016: 70 million).

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

Name of entity	Note	Country of incorporation	Date control obtained or lost	% of equity held by immediate parent
Control obtained				
Peering GmbH	(a)	Germany	11 Aug 2016	100

(a) During the year this entity was acquired. Refer to note 27(a) in annual report for further details.

There are no entities over which control has been lost during the year.

There are no associates or joint ventures of the Company.

The information provided in the Appendix 4E is based on the 30 June 2017 Annual Report, which has been prepared in accordance with Australian Accounting Standards.

The 30 June 2017 Annual Report has been audited and is not subject to audit dispute or qualification.

Annual Report

30 JUNE 2017

ABN: 46 607 301 959

Megaport

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FINANCIAL YEAR 2017 KPIS

Total Number of Data Centres

102 June 2016 | **165** June 2017

Total Number of Ports

736 June 2016 | **1829** June 2017

Total Number of Services

1500 June 2016 | **3764** June 2017

Total Number of Customers

314 June 2016 | **738** June 2017

Monthly Recurring Revenue*

$308K June 2016 | **$1.2M** June 2017

Annualised Revenue

$3.7M June 2016 | **$14.6M** June 2017

*Monthly Recurring Revenue is closing monthly revenue for the month of June 2017

CHAIRMAN'S LETTER

Dear Shareholders,

It is my privilege to present you with the Fiscal Year 2017 Chairman's report for Megaport Limited. Megaport is the global leading provider of Elastic Interconnection services.

The 2017 financial year was another year of outstanding growth for the business. In addition to achieving record sales over the course of the last twelve months, Megaport expanded organically into many new key locations with great demand from enterprises for direct cloud connectivity. Several new strategic partnerships have been cemented across various channels including Data Centre Operators, Cloud Service Providers, Managed Service Providers and master agencies. These partnerships continue to bolster our indirect and sell-with capabilities designed to accelerate revenue while maintaining a nimble and appropriately-sized organisation. The Megaport team is maximising your investment to capture the growing business opportunity driven by connectivity supporting accelerating cloud adoption, all while extending our time-to-market advantage.

Since the launch of Megaport services in Australia in 2013, the company has successfully demonstrated demand for the Elastic Interconnection model with the phenomenal adoption of our services for direct cloud connectivity and demand-aligned capacity.

The Megaport platform was designed for integration. This is what enables ease-of-use, makes the customer experience seamless when ordering services, and provides advanced features that lower the barrier to service adoption. Fiscal Year 2017 saw the highest number of partner integrations to date. From the launch of Digital Realty's Service Exchange, powered by Megaport to the availability of connectivity to Oracle Cloud via Megaport.al, API integration provides the "glue" for these and future services.

We will continue to invest in and innovate our platform. Continual improvements to user experience on our Portal and additional features for managing and deploying services in real-time are top priorities.

With the undertaking of a strategic capital raising initiative in Fiscal Year 2017, Megaport is well positioned with a diverse mix of institutional, retail, and strategic investors. The additional capital will support our rapidly growing footprint, product innovations, and accelerated go to market efforts designed to maximise return for shareholders.

Megaport has bolstered its leadership team and aligned their capabilities for scale and execution. Firstly, the appointment of Vincent English as Chief Executive Officer empowers the team with leadership driven by a clear understanding of the business model and operational experience necessary to execute on our global strategy. Secondly, the appointment of founding executive, Belle Lajoie as Chief Commercial Officer enables a consistent, aligned sales engine ready to capture the global opportunity.

Megaport continues to transform the interconnection market through our 100% SDN-enabled Megaport platform. We have moved towards a more demand-driven expansion model where the demand signals mostly come from data centre or cloud partners that need Megaport to extend the reach of their services to satisfy customer demand. We have aligned our model and strategy to rapidly respond to these demand signals and capture the revenue opportunities.

In Fiscal Year 2018, Megaport will focus on rapidly capturing demand opportunities, deepening our integration with partners to enable unparalleled ease of use and service provider choice and aligning our direct and indirect sales capabilities to enterprises as they fundamentally shift their IT architectures to a cloud-enabled world.

The success of Megaport would not be possible without the tireless work and talent of the entire team. Under the leadership of Vincent English as CEO, they have achieved remarkable milestones that position Megaport for significant future growth. On behalf of the Board, Management, and the team at Megaport, I would like to express our gratitude to our shareholders for your support of the Company and our vision. I look forward to meeting you at our upcoming Annual General Meeting.

Bevan Slattery

Chairman and Executive Director

Megaport Limited

24 August 2017

LETTER FROM THE CEO

Dear Shareholders,

It has been a year full of accomplishments and milestones; one of which was achieving a profit after direct network costs during the second half of Fiscal Year 2017. Our business is accelerating. In fact, the fourth quarter saw record bookings propelling our revenue to increase 298% year on year. Your investment in Megaport positions us well to continue our growth trajectory as all indicators point to greater cloud adoption and increasing bandwidth requirements in all sectors.

As a world leading Network as a Service company, Megaport transforms the way network services are consumed. As businesses have shifted to compete and succeed in a cloud-enabled economy, our Software Defined Network (SDN) has revolutionised the way that these services are discovered and connected. This means digital supply chains can manage their connectivity with unprecedented control and granularity. Businesses can rapidly respond to ever-changing demands by quickly provisioning capacity and connecting to the services they need with consumption-based economics. Put simply, businesses can consume network services the same way they consume cloud services: on demand and optimised to their requirements.

Since our founding, Megaport has deployed and expanded a network designed to capture the opportunity presented by digital transformation. The Megaport SDN spans a total of 165 locations in data centres around the globe. 63 of these were delivered during Fiscal Year 2017. Our Ecosystem consists of 62 unique data centre companies with diverse geographies and unique customer bases. Some recent data centre partnerships have focused on Tier 2 and Tier 3 markets where direct cloud connectivity has been previously unavailable. These underserved markets are where enterprises have pent-up demand for better cloud connectivity, and we are aligning our channel and sales strategies to capture this opportunity.

In our journey to be a 'one-stop shop' for connectivity, we grew our Ecosystem of Cloud Service Providers significantly. The additions of Alibaba Cloud and Oracle Cloud empower our customers with access to the top five global Cloud Service Providers including Amazon Web Services (AWS), Microsoft Azure, and Google Cloud. We also expanded interconnection options with Microsoft Azure and AWS by connecting to more of their ExpressRoute and Direct Connect on-ramps. In fact, we have enabled an additional 24 cloud availability zones during this Fiscal Year 2017, including Microsoft Government zones for the United States and Germany.

To reduce the barrier to cloud adoption, our customers must be able to easily discover and connect to services. We've achieved this with the launch of Megaport Exchange, our inclusive, neutral marketplace. Megaport Exchange has over 240 service providers enabling a broad range of services from IaaS and PaaS to Hosted PBX, Cloud Security, IP Transit, and many others. Since it is integrated to the Megaport.al, discovering and getting connected to services is seamless.

In June 2017, the Company undertook a strategic capital raising of $27.8M to support our drive towards international expansion, new product initiatives, and an EBITDA positive position

All of this enables a unique, highly-distributed, global platform that supports hybrid and multicloud architectures which in turn supports use cases for IoT, machine learning, edge computing, and a myriad of IT architectures which drive the digital economy.

The cloud market shows no signs of slowing down. More Cloud Service Providers are embracing the direct connectivity model and are actively bringing direct connection services to market to provide their customers the best performance and value possible. Megaport will continue to integrate more Cloud Service Providers to our platform in the coming year. For our customers, this means more choice in working with innovative service providers that suit their business requirements. For our data centre partners, it means more value and differentiation as they serve their customers. And for our cloud partners, it means extending the reach of their services to more customers in more markets.

It's inspiring to see what a small, highly-focused, ambitious team can accomplish. Megaport consists of fewer than 100 team members who have been hard at work quite literally changing the model for interconnection and network services around the globe. They continue to drive our business to success. On behalf of the entire team, I sincerely thank you for your investment in Megaport.

Sincerely,

V. English

Vincent English

Executive Director and Chief Executive Officer

Megaport Limited

24 August 2017

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Megaport Limited (referred to as 'the Company') and the entities it controlled (referred to as 'the Group') at the end of, or during, the year ended 30 June 2017.

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
Denver Maddux (resigned 21 February 2017)
Vincent English (appointed 16 March 2017)
Drew Kelton
Simon Moore
Peter Hase (appointed 22 September 2016)

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

Principal activities

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

- the provisioning of on-demand elastic interconnection services,
- the provision of internet exchange services, and
- continuing to expand the geographic footprint of its network and services fabric.

Dividends

Dividends were neither paid nor declared during the period.

Review of operations

Group overview

Using Software Defined Networking, the Company's global platform enables customers to rapidly connect their network to other services across the Megaport Fabric. Services can be directly controlled by customers via mobile devices, their computer or our open Application Programming Interface (API). The Company's extensive footprint in Australia, Asia-Pacific, North America, and Europe provides a neutral platform that spans many key data centre providers across various markets.

The Group's business plan involves creating a unique configuration of network and cloud services, known as the ecosystem. Customers get access to this platform (the Megaport Fabric) by acquiring ports (a Megaport), have flexible control of their costs, commitments, and configuration of the services they require using the software capabilities of Megaport.

Megaport's vision is to be the global leader of elastic interconnection services.

At the year ended 30 June 2017, the Group has a global presence of 165 locations across 41 markets (2016: 102 locations across 29 markets). On 11 August 2016, the Group completed an acquisition, Peering GmbH in Germany. This entity contributed to the addition of 30 locations to the Group total. Of the Group total Asia-Pacific has a regional presence of 47 locations; North America has 61 locations; and Europe has 57 locations.

The total ports on the Group's network at the end of June 2017 was 1,829 (at June 2016: 736).

FY17 Company highlights

Profit after direct network costs

Key Milestone Achieved

+$253K
in 2nd Half 2017

24%
June 2017 run rate

$27.8M
Strategic capital raising completed

MEGAPORT EXCHANGE

240+
Service Providers
in Megaport's self-service Marketplace

5

Top 5
cloud service providers now integrated into Megaport

24 new
cloud regions enabled

30 new
cloud onramps enabled

Financial performance and position

Financial Performance	**30 June 2017 $**	**30 June 2016 $**
Revenue	**10,668,613**	2,679,410
Profit/(loss) after direct network costs[1]	**(577,662)**	(1,539,765)
Net profit/(loss) after income tax	**(29,934,907)**	(21,345,210)

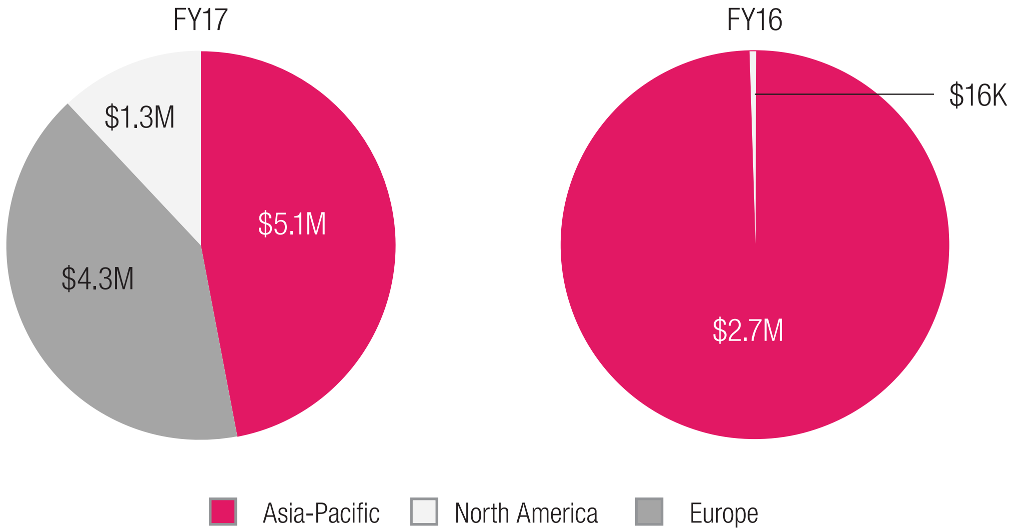
1. Revenue less direct network costs, which comprise of data centre power and space, physical cross connect fees, bandwidth and dark fibre, network operation and maintenance, and channel commissions which are directly related to generating the service revenue of Megaport Group.

Business metrics	**30 June 2017**	**31 December 2016**	**30 June 2016**	**31 December 2015**
Total number of ports	**1,829**	1,479	736	504
Total number of services	**3,764**	2,768	1,500	940
Total number of data centres	**165**	141	102	46
Total number of customers	**738**	621	314	253
Monthly recurring revenue[2]	**$1.22m**	$0.91m	$0.31m	$0.22m

2. Monthly recurring revenue 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 continued to have significant growth in the number of ports sold to customers, number of data centres and monthly recurring revenues. The Group's Revenue for the period was $10.7 million (2016: $2.7 million). As detailed in the segment reporting note in the financial statements, this revenue was generated in the following business units: 47% (2016: 100%) in Asia-Pacific, 41% (2016: nil) in Europe, and 12% (2016: nil) in North America. The Group's Revenue in the year ended 30 June 2017 was up 298% from the eleven-month period ended 30 June 2016. The Group's revenue is up 139% on the prior period, if revenue from the two acquisitions of Peering GmbH and OMNIX Group AD is excluded.

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



There is a loss after direct network costs for the Group of $577,662 (2016: $1,539,765), which includes direct network costs for all business units. Of the full year result, the H2FY17 result for the Group was a profit of $253,491 (H1FY17: ($831,153)). The Asia-Pacific and Europe business units generated a profit after direct network costs for the full year.

During the year, Megaport entered into a partnership agreement with Digital Realty (NYSE:DLR). The partnership was to launch Service Exchange, a product that enables direct access to Amazon Web Services (AWS), Google Cloud Platform and Microsoft Azure, improving performance, reliability and security when compared to the public Internet.

The Group's net loss after income tax for the financial year, amounted to $29.9 million (2016: $21.3 million).

Financial position	**30 June 2017 $**	**30 June 2016 $**
Net assets	**30,223,200**	17,169,978
Cash and cash equivalents at end of the year	**21,027,324**	11,869,997

Megaport continues to maintain a strong financial position, with net current assets of $14.6 million (2016: $9.3 million) and total equity of $30.2 million (2016: $17.2 million).

On 5 August 2016, the Group successfully completed a capital raising of $17.85 million and on 22 August 2016 completed a Share Purchase Plan to raise a further $13.15 million. The net proceeds of the net capital raisings of $30 million which has been and will continue to be used for capital expenditure, ongoing operating costs of the network, services and staff, and network capacity investment. This has provided funding for revenue growth, market development, and additional acquisition opportunities.

During the year, the Group invested $7.5 million cash in the network and ecosystem expansion. Of this amount, $1.0 million was for the acquisition of Peering GmbH, $4.6 million was rolling out additional data centres globally, particularly setting up the Europe sites and adding additional sites in North America, and $1.9 million was in the software facilitating the network.

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
- Strengthen our position as the leading innovator in global Network as a Service (NaaS)
- Deliver revenue growth with prudent cost management and meaningful reduction in cash burn

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 Company. 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 and the USA. 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.

- *Risks of acquisitions and the failure to integrate acquired businesses:* The Group has made two acquisitions in Europe and may make further acquisitions in the future. However, there can be no assurance that the acquired companies and businesses will continue to perform as expected or that the Group will succeed at effectively managing the integration of acquired companies and businesses.

Significant changes in the state of affairs

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

Contributed equity increased by $30.0 million (from $50.1 million to $80.1 million) as the result of the issue of shares under both a private placement to institutional and sophisticated investors and a share purchase plan for existing shareholders during August 2016. Details of the changes in contributed equity are disclosed in note 18 to the financial statements.

The Company also issued 2,340,000 options granted under the Megaport Employee Share Option Plan (ESOP General), which are exercisable between August 2017 and January 2021 (see note 21 to the financial statements).

The net cash received from the increase in contributed equity has partially been and will continue to be used principally to further fund capital expenditure for the North American and European network and platform upgrades and new global locations, ongoing operating costs of the network, services and staff of existing business units, network capacity investment and additional acquisition opportunities.

Megaport Limited acquired 100% of Peering GmbH in return for a cash consideration of $951,600 (EUR 650,000) and contingent consideration of $951,600 (EUR 650,000) on 11 August 2016. The fair value of the net identifiable assets of Peering GmbH at the date of acquisition has been determined to be $637,349 and the purchased goodwill is $1,265,851. (see note 27(a) to the financial statements for further details).

Events since the end of the financial year

Capital raising

On 4 July 2017 Megaport issued 13,235,249 shares at an issue price of $2.10 per share, raising $27.79 million. The shares were issued at a discount of 6.7% based on the last trading price on 27 June 2017. The new shares issued are ordinary shares and rank equally with existing Megaport ordinary shares. The transaction was fully underwritten by Morgans Corporate Limited and Royal Bank of Canada. Per note 19, $11.4 million has been received in relation to this capital raising prior to 30 June 2017. The remainder was received by the date of issue.

No other matter or circumstance has arisen since 30 June 2017 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 continued growth in the upward trend in the demand for cloud and interconnection services should underpin a likely demand for services provided by the Group. During the 2017 financial year, Megaport services consumed by customers increased by 151% which provides an indication of growth going forward. Following from trends and experiences by the large cloud service providers, cloud adoption growth rates are expected to continue to grow.

Likely developments in the operations of the Group that were not finalised at the date of this report include the continued evaluations of potential investment and network expansion opportunities in the existing Asia-Pacific, North America and Europe markets, based on underlying market dynamics and customer demand for interconnectivity services.

Environmental regulation

The Group has determined that no particular or significant environmental regulations apply to its operations.

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. Megaport currently connects over 700 customers throughout its 165 locations in 37 cities across 19 countries.

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	33,004,274 fully paid ordinary shares (held directly) and 125,000 fully paid ordinary shares (held indirectly)

Vincent English

Chief Executive Officer (from 1 April 2017)
Executive Director (from 16 March 2017)

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
Interests in shares and options	24,274 fully paid ordinary shares (held directly) and 36,698 fully paid ordinary shares (held indirectly) 600,000 options over ordinary shares (held directly)

Drew Kelton
Non-Executive Director

Drew 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	Mobile Embrace Limited (ASX:MBE) (appointed 1 July 2010) Enice Holding Company Limited (ASX:ENC) (appointed 12 June 2015) Firstwave Cloud Technology Limited (ASX:FCT) (appointed 8 March 2016)
Former ASX directorships In last 3 years	None
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. He is currently a Non-Executive Director of Coates Hire, in addition to the ASX directorships listed below.

Other current ASX directorships	TPI Enterprises Limited (ASX:TPE) (appointed 1 June 2016)
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 (from 22 September 2016)

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

Mr Hase was the CEO of Wicoms Wireless Ltd, a UK based ACP investment that provides public WiFi access and analytics for customers such as International shopping malls, hospitality venues and other commercial locations, now merged into SkyFii, an ASX listed company (SKF).

Prior to joining ACP, 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 in 2008.

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 over ordinary shares (held directly)

Denver Maddux

Chief Executive Officer (until 31 March 2017)
Executive Director (until 21 February 2017)

Denver Maddux was the Chief Executive Officer and an Executive Director of Megaport for part of the reporting period.

Prior to joining Megaport, Denver was Senior Director, Strategy and Planning for Global Networking Services with Microsoft, where he was responsible for Microsoft's interconnection and cloud networking infrastructure development.

Denver was the former Vice President of Network Engineering with Limelight Networks, where he was responsible for building the foundations for global CDN services, leading the creation of one of the world's largest Internet traffic networks and establishing the Company as a leading provider of global Internet interconnection services.

Prior to joining Limelight, Denver held a number of leadership and engineering roles with key first-wave Internet companies.

Other current ASX directorships	None
Former ASX directorships In last 3 years	Megaport Limited (ASX:MP1)
Special responsibilities	Member of the Audit and Risk Committee (until 21 February 2017)

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.

Meetings of Directors

The numbers of meetings of the company's board of directors and each board committee held during the period ended 30 June 2017, 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	14	17	*	*	3	4
Vincent English (appointed 16 March 2017)	5	5	1	1	*	*
Drew Kelton	17	17	4	5	4	4
Simon Moore	17	17	5	5	4	4
Peter Hase (appointed 22 September 2016)	11	12	4	4	*	*
Denver Maddux (resigned 21 February 2017)	10	12	2	4	*	*

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

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 ('KMP') for the financial year ended 30 June 2017 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

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 Directors[1]

Name	Position
Bevan Slattery	Chairman and Executive Director
Vincent English	Executive Director (from 16 March 2017) and Chief Executive Officer (from 1 April 2017) Previously Chief Financial Officer (until 4 September 2016) and Group Chief Operating Officer and Deputy Chief Executive Officer (until 31 March 2017)
Drew Kelton	Non-Executive Director
Simon Moore	Non-Executive Director
Peter Hase	Non-Executive Director (from 22 September 2016)
Denver Maddux	Executive Director (until 21 February 2017) and Chief Executive Officer (until 31 March 2017)

1. See pages 13 to 16 for details about each director.

Other key management personnel

Haidee Van Ruth	Chief Financial Officer (from 5 September 2016)
Belle Lajoie	Chief Commercial Officer (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 https://www.megaport.com.

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 will be made available on Megaport's website https://www.megaport.com.

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 2016 AGM. This amount is currently $1,000,000. Actual fees paid to Non-Executive Directors in 2017 totaled $261,035 (2016: $126,580).

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 Directors 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 on board committees, see table below. They do not receive performance-based pay or retirement allowances. The fees are inclusive of superannuation. Actual amounts received by Non-Executive Directors are provided later in this report.

	2017 $	2016 $
Base fees		
Chairman	75,000	75,000
Other non-executive directors	60,000	60,000
Additional fees		
Audit & risk committee – Chair	7,500	7,500
Remuneration & nomination committee – 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

Megaport's senior executive remuneration policy continues to be developed. As the policy is developed, Megaport will ensure that the remuneration framework will be transparent, competitive and reasonable. Development of an appropriate remuneration policy will strengthen the alignment between shareholder returns and performance related remuneration, ensuring that the final remuneration structure contains a direct link between remuneration and performance (both Company and individual) that is ultimately aligned to shareholder interest.

The remuneration framework 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

If the Group achieves pre-determined targets, as set by the Remuneration & Nomination Committee, dependant on the individual's contract, a short-term incentive ("STI") is available to executives. Cash incentives/bonuses are payable quarterly. The targets are set with the objective of ensuring variable reward is only available when value has been created for shareholders.

Executives have a target STI depending on the accountabilities of the role and impact on the organisation or business unit performance.

Each year, the Remuneration & Nomination Committee considers the appropriate targets and key performance indicators ("KPI's"), to link the STI plan and the level of payout if the targets are met, including setting any minimum levels of performance to trigger payment of STI.

The Remuneration & Nomination Committee is responsible for assessing whether the KPIs are met.

For the years ended 30 June 2017 and 30 June 2018, the KPI's linked to STI plans are based on the Group objectives, with the key financial metrics being consolidated Monthly Recurring Revenue and Earnings before Interest, Tax, Depreciation and Amortisation.

Long-term incentive policy and procedure

Megaport 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 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 for 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 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
- 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 2017, Megaport had 1,200,000 and 2,115,000 options on issue to all eligible employees, including Directors and other KMP under both the 2015 ESOP and ESOP General respectively. At the date of this report, 1,200,000 and 2,214,220 options were on issue under both the 2015 ESOP and the ESOP General to eligible employees.

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. Mr English commenced the role of CEO in the Group on 1 April 2017. The detail below outlines Mr English's remuneration package.

The Remuneration & Nomination Committee has put in place a remuneration framework and package that aligns the CEO's performance with the Group's strategic objectives. Mr English's remuneration is structured broadly on the principal that 46% is fixed base salary, 28% is variable short-term incentive, and 26% is fixed long-term incentive.

The fixed base salary component of Mr English's remuneration 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 increased responsibilities of the CEO following the increase in operations and regions through acquisitions; and
- reflective of the increased size and scale of the new business.

Mr English's STI of $200,000 per annum is subject to key performance indicators determined by the Remuneration & Nomination Committee at the commencement of the financial year. The KPIs relate directly to Megaport's financial performance. The KPI's and STI amount is reviewed annually by the Remuneration & Nomination Committee. Details of the STI payment applicable to Vincent English in respect of 2017 financial year is outlined in the relevant section following.

Mr English's LTI of $188,807 is equity based and consists of options issued under Megaport's ESOP General plan, details of which appear further in this report. As at 30 June 2017, Mr English holds 600,000 options.

Denver Maddux resigned from his role as CEO of the Megaport Group on 31 March 2017. Terms of his remuneration package whilst he was CEO is as follows:

Base salary: a fixed salary of $300,000 per annum (including superannuation).

STI: Mr Maddux was eligible to receive short term incentives (STI) in the form of quarterly cash bonuses, subject to achievement of certain key performance indicators to be determined by the Board. Mr Maddux's maximum STI opportunity for the 2017 financial year was $200,000 including superannuation (being, $50,000 per quarter).

Other: Mr Maddux was awarded 4,000,000 shares in August 2015 as part of the founding management team of the Megaport Group. The shares held a $0.40 market value at the time of issue. These shares are held in mandatory escrow until 17 December 2017. 2,500,000 of these shares will then be held in voluntary escrow from 17 December 2017 to 16 December 2018. More details can be found in note 21(c) of the Financial Statements.

Other key management personnel remuneration

Variable remuneration for Executive 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 the 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 formalized in service agreements. Details of the key terms of these agreements are as follows:

Key term	Executive Director	Chief Executive Officer[1]	Chief Commercial Officer	Chief Financial Officer[2]
Duration of agreement:	12 months (ending 30 November 2017	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	Haidee Van Ruth: Four weeks notice Vincent English: Three months notice
Period of notice required to terminate agreement (by Company):	None, if the Executive Director breaches the agreement (for IP, 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	The same notice period as the KMP, 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. These terms apply to both Mr English and Mr Maddux in regards to their service agreement as CEO.

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

Remuneration of key management personnel

The following tables show details of the remuneration expense recognised for the Group's Executive Key Management Personnel for the current and previous financial year 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.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments and rights		
2017	**Salary and fees[1] $**	**Short-term incentive $**	**Non-monetary benefits $**	**Superannuation $**	**Long service leave[1] $**	**Shares $**	**Options[2] $**	**Total $**
Non-Executive Directors								
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**
Executive Directors								
Bevan Slattery	178,082	-	-	-	-	-	-	178,082
Vincent English	317,401	22,831	5,802	30,889	1,792	-	120,710	499,425
Denver Maddux[4]	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**
Other Key Management Personnel								
Haidee Van Ruth	188,273	-	-	16,625	327	-	94,638	299,863
Belle Lajoie[5]	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**

1. 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.
2. The value of options granted during the financial year is calculated as at the grant date using a Black-Scholes valuation model. This grant date value is allocated to remuneration of key management personnel 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.
3. Includes amounts paid in relation to a consultancy service agreement to assist with business development and Europe operational matters.
4. Denotes remuneration up to cessation as CEO of Megaport Group (31 March 2017).
5. Denotes remuneration from 1 May 2017 to 30 June 2017 (period Ms Lajoie is recognised as KMP)

2016	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments and rights		
	Salary and fees[1] $	Short-term incentive $	Non-monetary benefits $	Superannuation $	Long service leave[1] $	Shares $	Options[2] $	Total $
Non-Executive Directors								
Drew Kelton	45,907	-	-	-	-	-	17,383	63,290
Simon Moore	41,924	-	-	3,983	-	-	17,383	63,290
Vijay Gill	-	-	-	-	-	-	-	-
Total Non-Executive Remuneration	**87,831**	**-**	**-**	**3,983**	**-**	**-**	**34,766**	**126,580**
Executive Directors								
Bevan Slattery	140,982	-	-	5,151	-	-	-	146,133
Denver Maddux	344,765[3]	-	16,071	-		1,600,000[4]	-	1,960,836
Celia Pheasant	-	-	-	-	-	-	-	-
Total Executive Remuneration	**485,747**	**-**	**16,071**	**5,151**	**-**	**1,600,000**	**-**	**2,106,969**
Other Key Management Personnel								
Vincent English	247,422	-	1,127	21,469	-	-	30,878	300,896
Total KMP Remuneration	**247,422**	**-**	**1,127**	**21,469**	**-**	**-**	**30,878**	**300,896**
Total Remuneration	**821,000**	**-**	**17,198**	**30,603**	**-**	**1,600,000**	**65,644**	**2,534,445**

1. 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.
2. The value of options granted during the financial year is calculated as at the grant date using a Black-Scholes valuation model. This grant date value is allocated to remuneration of key management personnel on a straight-line basis over the period from grant date to vesting date
3. This salary is equivalent to a 14-month period. As outlined in the IPO Prospectus, Mr Maddux was prepaid his contracted salary for a two-year period. As his new contract came into effect in the 2017 financial year the remainder of the prepayment was treated as accelerated wages until 30/06/2016.
4. This remuneration is share based. As outlined in the IPO Prospectus, Mr Maddux was awarded shares in August 2015 as part of the founding management team of the Megaport Group. The shares held a $0.40 market value at the time of issue. These shares are held in mandatory escrow until 17 December 2017. 2,500,000 of these shares will then be held in voluntary escrow from 17 December 2017 to 16 December 2018. More details can be found in note 21(c) of the Financial Statements.

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

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

The relative proportions of remuneration that are fixed or lined to performance are as follows:

	Fixed salary and/or fees		Short term incentive – at risk		Long term incentive[1]	
	2017	2016	2017	2016	2017	2016
Non-Executive Directors						
Drew Kelton	100%	61%	-	-	-	39%
Simon Moore	100%	61%	-	-	-	39%
Peter Hase	52%	-	-	-	48%	-
Executive Directors						
Bevan Slattery	100%	100%	-	-	-	-
Vincent English	60%	63%	8%	-	32%	37%
Denver Maddux	60%	100%	40%	-	-	-
Other KMP						
Haidee Van Ruth	52%	-	-	-	48%	-
Belle Lajoie	63%	-	37%	-	-	-

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 is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
	2017	2016	2017	2016
Executive Directors				
Vincent English	50%	-	50%	-
Denver Maddux	-	-	100%	-
Other KMP				
Belle Lajoie	50%	-	50%	-

The STI payments were paid or are payable based on the successful achievement of earnings based targets, including monthly recurring revenue and earnings before interest, taxation, depreciation and amortisation.

The STI measures for the financial year ended 30 June 2018 have been established for the CEO and CCO. The measures are also based on the successful achievement of earnings based targets, including monthly recurring revenue and earnings before interest, taxation, depreciation and amortisation, representing Megaport's strategic business objectives and delivery of financial results to ensure the Group is progressing towards shareholder return in the future.

The CEO's KPIs are cascaded throughout the Group, and captured within a detailed budget with various owners of components of the budget.

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. Under the plan, the options will vest either if the employee meets a length of service or if a specific performance target within the employee's business unit is met. The service and performance conditions are specific to the employee's individual ESOP agreement.

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.

Terms and conditions of share-based payment arrangements affecting remuneration of key management personnel 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	1.0693 – 1.3428	1.84	07-Sep-17 to 07-Sep-19	06-Sep-18 to 06-Sep-20
ESOP General – series 2016 – 8	17-Oct-16	1.0421 – 1.3243	2.02	17-Oct-17 to 17-Oct-19	16-Oct-18 to 16-Oct-20
ESOP General – series 2016 – 9	02-Dec-16	0.8417	2.02	23-Nov-17	02-Dec-19

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

Details of the share-based payments granted as compensation to key management personnel during the current financial year:

	Opening balance 1 July 2016		Granted during the year[1]		Forfeited during the year		Exercised/settled during the year		Closing balance 30 June 2017	
	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	400,000	158,800	200,000	$188,807	-	-	-	-	600,000	347,607
Haidee Van Ruth	-	-	200,000	190,988	-	-	-	-	200,000	190,988

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 key management personnel on a straight-line basis over the period from grant date to vesting date.

In addition, the following options were granted to Officers who are among the five highest remunerated Officers of the Company and the Group, but have not been key management personnel from the grant date until the date of this report:

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

No options were granted to the Directors or any of the five highest remunerated Officers of the Company since the end of the financial year.
Further details of the employee share option plan and of share options granted during the 2017 and 2016 financial periods is contained in note 21 to the financial statements.

Additional disclosures relating to key management personnel

Key management personal equity holdings

Fully paid ordinary shares of Megaport Limited[1]

Name	Balance at 01 July 2016 No. of shares	Purchased No. of shares	Disposed No. of shares	Net other changes during the year No. of shares	Balance at 30 June 2017 No. of shares	Balance held nominally No. of shares
Non-Executive Directors						
Drew Kelton	25,000	-	-	-	25,000	-
Simon Moore	1,468,000	54,274	-	-	1,522,274	-
Peter Hase	-	-	-	-	-	-
Executive Directors						
Bevan Slattery	33,150,000	138,960	-	-	33,288,960	33,004,274
Vincent English	41,000	19,972	-	-	60,972	24,274
Denver Maddux	5,000,000	-	-	(5,000,000)[2]	-	-
Other KMP						
Haidee Van Ruth	-	5,000	-	-	5,000	5,000
Belle Lajoie	-	-	-	1,000,000[3]	1,000,000	1,000,000

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.
2. This is to account for the movement of Mr Maddux no longer being classified as a KMP.
3. This is to account for the movement of Ms Lajoie being classified as a KMP. ie. Ms Lajoie's existing share balance on the date she became KMP.

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

During the financial year, no share options were exercised by key management personnel.

Loans to and from Directors and Executives

Details of loans made to Directors of Megaport Limited and other KMP of the Group, including their close family members and entities related to them, are set out in note 28(f) of the consolidated financial statements.

Other transactions and balances with key management 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, the arrangements are on similar terms to other customers or suppliers.

Voting of shareholders at last year's annual general meeting

Megaport Limited received more than 95% of "yes" votes on its remuneration report for the 2016 financial period. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

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 favor 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.

Details of the amounts paid or payable to the auditor (Deloitte Touche Tohmatsu Australia) for audit and non-audit services provided during the year are set out below.

As the auditor did not provide any non-audit services to the Group, the Directors are of the opinion that the independence requirements of the *Corporations Act 2001* were not compromised.

During the year, the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu Australia, the auditor of the consolidated entity, it's related practices and non-related audit firms:

	Notes	2017 $	2016 $
Amounts received or due and receivable by:			
Deloitte Touche Tohmatsu Australia (auditor of the parent entity):			
Audits and review of the financial reports of the entity and any other entity in the consolidated group		139,500	105,000
Other services in relation to the entity and any other entity in the consolidated group:		-	-
Advisory services	(a)	-	55,847
Total remuneration of Deloitte Touche Tohmatsu Australia		**139,500**	**160,847**
Other Deloitte network firms:			
Audit and review of the financial reports of the entity and any other entity in the consolidated group		19,998	19,220
Total remuneration of Deloitte network firms		**19,998**	**19,220**

(a) The advisory work completed in 2016 was for services rendered in connection with the Initial Public Offering, including issuing the Investigating Accountant's Report on Pro-Forma Financial Information and Financial Services Guide included in the Prospectus

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 32.

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

On behalf of the Board of Directors,

Vincent English
Executive Director and Chief Executive Officer
Brisbane

24 August 2017

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

24 August 2017

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 2017, 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

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 Principals and Recommendations (the Third Edition) published by the ASX Corporate Governance Council.

The 2017 Corporate Governance Statement is dated as at 30 June 2017 and reflects the corporate governance practices in place throughout the 2017 financial year. The 2017 Corporate Governance Statement was approved by the Board on 22 August 2017. 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/.

Principle	Complies	Note
Principle 1 – Lay solid foundations for management and oversight		
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Complies	The Board is responsible for overall corporate governance of the Company. The role of the Board and delegation to management have been formalised in the Charter which outlines the main corporate governance practices in place for the Company and to which the Board and each Director are committed. The conduct of the Board is also governed by the Company's constitution, and where there is inconsistency with that document, the constitution prevails to the extent of the inconsistency. The Charter will be reviewed and amended from time to time as appropriate taking into consideration practical experience gained in operating as a listed company.
1.2 Undertake appropriate checks before appointing a person as a director, and provide shareholders with all material information relevant to a decision on whether or not to elect or re-elect a director.	Complies	The Company has undertaken police checks, insolvency and banned director searches in relation to the existing directors. The Company will conduct appropriate checks for future appointments.
1.3 Have a written agreement with each director and senior executive setting out the terms of their appointment	Complies	The Company has entered into written agreements with each director and senior executive.
1.4 Have a company secretary that is directly accountable to the board, through the chair, on all matters to do with the proposer functioning of the board.	Complies	This is consistent with the Charter and corporate structure of the Company. The Company Secretary has a direct relationship with the Board in relation to these matters.

1.5 Establish a diversity policy and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them, for reporting against in each reporting period.	Complies	The Company's Diversity Policy is available at megaport.com/investor. Diversity and inclusion continues to be an important focus for the Company. As at 30 June 2017, the percentage of women employees in the whole organisation was 30%, a 5% decrease from the previous year. However, the proportion of women senior executives rose to 50% from 20% and the gender diversity ratio of the leadership team was 50:50, which is clear a improvement from the previous year. As at 30 June 2017, all board directors were male. The company defines senior executive' as the CEO, CFO, CMO, and CCO. The 'leadership team' includes the senior executive as well as the Global People & Culture Manager, VP Engineering, General Counsel, Head of Cloud Strategy, EVP APAC, EVP Europe and EVP Americas.
1.6 Have a process for periodically evaluating the performance of the Board, its committees and individual directors, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.	Complies	The responsibilities of the Board for monitoring its performance and that of its committees and directors are set out in the Corporate Governance Charter and the Standing Rules of the Remuneration and Nominations Committee. These documents are available for viewing on the Company's website. A performance evaluation was undertaken in the reporting period in accordance with these documents.
1.7 Have a process for periodically evaluating the performance of the Company's senior executives, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.	Complies	The responsibilities of the Board for monitoring the performance of its senior executives are set out in the Corporate Governance Charter and the Standing Rules of the Remuneration and Nominations Committee. These documents are available for viewing on the Company's website. A performance evaluation was undertaken in the reporting period in accordance with these documents.

Principle	**Complies**	**Note**
Principle 2 – Structure the board to add value		
2.1 The Company should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director. The functions and operations of the nomination committee should be disclosed	Complies	A Remuneration & Nominations Committee has been established with its own Charter and consists of Drew Kelton (committee Chair), Simon Moore and Bevan Slattery. The Remuneration & Nominations Committee complies with recommendation 2.1, which recommends that the committee has at least three members, the majority of whom must be independent.
2.2 Have and disclose a board skills matrix, setting out what the Board is looking to achieve in its membership.	Complies	The Company has developed a board skills matrix, which is available on the Company's website.

Principle	Complies	Note
2.3 Disclose the names of the directors that the Board considers to be independent directors, and an explanation of why the Board is of that opinion if a factor that impacts on independence applies to a director, and disclose the length of service of each director.	Complies	Simon Moore (appointed 26 October 2015) Drew Kelton (appointed 26 October 2015) Peter Hase (appointed 22 September 2016) Simon Moore and Drew Kelton each hold options under the 2015 ESOP (refer Note 21(b)). Peter Hase holds options under the General ESOP (refer Note 21(a)). The grant of options provides long-term incentives for the 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. The options are not performance based and accordingly, do not impact on the Directors' independence. Mr Hase provides strategic consultancy services to Megaport in relation to its business development and expansion plans in Europe. Mr Hase has entered into a consultancy agreement with Megaport, the terms of which were disclosed to the market in an ASX announcement on 31 March 2017. The role does not engage Mr Hase on a full time basis and does not represent a material source of income for Mr Hase. The consultancy arrangement is due to expire on 30 September 2017. For these reasons, the Board believes that the consultancy is not a material contract and does not compromise Mr Hase's independence.
2.4 A majority of the Board should be independent	Complies	The Company currently has a five-member Board, of whom three (Peter Hase, Simon Moore and Drew Kelton) are independent non-executive Directors.
2.5 The chair of the Board should be an independent Director and should not be the CEO.	Partially Complies	The Chairman, Bevan Slattery, is an Executive Director, and is not independent. The Company's Chief Executive Officer, (Denver Maddux (resigned 31 March 2017), and Vincent English (appointed 1 April 2017), is not the same individual as the Chairman. The Board believes that the non-independence of the Chairman does not impede proper oversight of the Chief Executive Officer.
2.6 There should be a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	Complies	This is consistent with the Board Charter and processes implemented by Megaport.

Principle	Complies	Note
Principle 3 – Act ethically and responsibly		
3.1 Have a code of conduct for the Board, senior executives and employees, and disclose that code or a summary of that code.	Complies	The Company has adopted a code of conduct, which sets out a framework to enable Directors to achieve the highest possible standards in the discharge of their duties and to give a clear understanding of best practice in corporate governance.

Principle	Complies	Note
Principle 4 – Safeguard integrity in corporate reporting		
4.1 The Company should have an audit committee, which consists of only Non-Executive Directors, a majority of whom are independent directors, is chaired by an independent director who is not chairman of the Board, and has at least three members. The functions and operations of the audit committee should be disclosed.	Partially Complies	The Company has established an Audit & Risk Management Committee to assist and report to the Board. The Audit & Risk Management Committee consists of two Non-Executive Directors and one Executive Director. The Company complies to the extent that an independent, non-executive Director chairs the committee, however the committee also includes the Chief Executive Officer (and Executive Director). The functions and operations are disclosed in the Audit & Risk Committee Charter.
4.2 The Board should, before approving financial statements for a financial period, receive a declaration from the CEO and CFO that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, formed on the basis of a sound system of risk management and internal controls, operating effectively.	Complies	This is consistent with the processes implemented by the Audit & Risk Management Committee and Board.
4.3 The Company's auditor should attend the AGM and be available to answer questions from security holders relevant to the audit.	Complies	Megaport's auditor attends the AGM and shareholders are entitled to ask questions in accordance with the Corporations Act and these guidelines.

Principle	Complies	Note
Principle 5 – Make timely and balanced disclosures		
5.1 Have a written policy for complying with continuous disclosure obligations under the Listing Rules, and disclose that policy or a summary of it.	Complies	Megaport has a written continuous disclosure policy that is designed to ensure that all material matters are appropriately disclosed in a balanced and timely manner and in accordance with the requirements of the ASX Listing Rules.

Principle	Complies	Note
Principle 6 – Respect the rights of security holders		
6.1 Provide information about the Company and its governance to investors via its website.	Complies	The Board Charter and other applicable policies are available on the Company's website.
6.2 Design and implement an investor relations program to facilitate effective two-way communication with investors.	Complies	The Company aims to ensure that all Shareholders are well informed of all major developments affecting the Company and that full participation by Shareholders at the Company's AGM is facilitated.
6.3 Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.	Complies	The Company's Shareholder Communications and Participation Policy is available on the Company's website. The Policy aims to facilitate effective participation in the AGM, including the ability to submit written questions ahead of the AGM. The Company intends to adopt appropriate technologies to facilitate the effective communication and conduct of general meetings.
6.4 Give security holders the option to receive communications from, and send communications to, the Company and its share registry electronically.	Complies	The Company has instructed its share registry to facilitate this option for investors.

Principle	Complies	Note
Principle 7 – Recognise and manage risk		
7.1 The Board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the risk committee should be disclosed.	Complies	The Company has a combined Audit & Risk Committee. The functions and operations of the committee are established under the Charter. The Audit & Risk Management Committee consists of three non- executive Directors (Peter Hase, Simon Moore and Drew Kelton) and one Executive Director (Denver Maddux (resigned 21 February 2017), Vincent English (appointed 16 March 2017)). A non-executive Director (Simon Moore) chairs the committee.
7.2 The Board or a committee of the Board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place.	Complies	The committee continues to develop and enhance its risk management framework. Reviews of the risk management framework are undertaken at least annually. A review was undertaken during the reporting period.
7.3 Disclose if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Complies	The Company does not have an internal audit function due to the relative nature and scale of its operations. The Company has an external auditor and the Audit & Risk Management Committee monitors and evaluates material or systemic issues. The Board believes it and the Audit & Risk Management Committee have appropriate oversight of the existing operations and risks.
7.4 Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks.	Complies	The Board does not believe the Company has any such material exposures. The Board has disclosed what it believes to be the material risks faced by the business in the Directors' Report.

Principle	Complies	Note
Principle 8 – Remunerate fairly and responsibly		
8.1 The Board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the remuneration committee should be disclosed.	Complies	The Board has established a Remuneration & Nomination committee to assist the Board to discharge its responsibilities in relation to remuneration and issues relevant to remuneration policies and practices, including those for senior management and non-executive Directors. The remuneration committee consists of two independent, non-executive Directors (Drew Kelton and Simon Moore) and is chaired by an independent, non-executive Director (Drew Kelton) who is not the Chairman. The composition and role of the Remuneration & Nomination Committee is set out in the Remuneration & Nomination Committee Charter.

Principle	Complies	Note
8.2 The policies and practices regarding the remuneration of Non-Executive Directors, and the remuneration of executive directors and other senior executives, should be separately disclosed.	Complies	The Company's remuneration report within the Annual Report sets out the separate policies and practices for the remuneration of non-executive directors, executive directors and senior executives. No director or senior executive is involved directly in deciding their own remuneration.
8.3 If the Company has an equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.	Complies	The Company currently operates an equity-based remuneration scheme for employees. In accordance with the Company's Securities Trading Policy participants are not permitted to enter into transactions that limit economic risk with written clearance.

FINANCIAL REPORT

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Notes	2017 $	2016 $
Continuing operations			
Revenue	4	10,668,613	2,679,410
Direct network costs	5	(11,246,275)	(4,219,175)
		(577,662)	**(1,539,765)**
Other income		306,346	146,469
Employee benefits expense		(16,537,386)	(10,742,463)
Professional fees		(3,031,097)	(3,060,888)
Marketing expenses		(1,077,439)	(1,635,743)
Travel expenses		(1,745,909)	(1,468,793)
Depreciation and amortisation expense	7	(4,155,954)	(1,295,761)
Finance costs		(100,670)	(60,683)
Foreign exchange losses	7	(969,793)	(701,241)
Other expenses		(2,090,780)	(986,342)
Loss before income tax		**(29,980,344)**	**(21,345,210)**
Income tax benefit	6	45,437	-
Loss after income tax for the year from continuing operations	7	**(29,934,907)**	**(21,345,210)**
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		576,147	185,516
Total other comprehensive income, net of income tax		**576,147**	**185,516**
Total comprehensive loss for the year		**(29,358,760)**	**(21,159,694)**
Loss attributable to:			
Owners of Megaport Limited		(29,934,907)	(21,345,210)
Total comprehensive loss attributable to:			
Owners of Megaport Limited		(29,358,760)	(21,159,694)

Losses per share	Notes	$	$
Basic losses per share	8(a)	(0.35)	(0.36)
Diluted losses per share	8(b)	(0.35)	(0.36)

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 2017

	Notes	30 June 2017 $	Restated* 30 June 2016 $
Assets			
Current assets			
Cash and cash equivalents	9	21,027,324	11,869,997
Trade and other receivables	10	1,569,768	987,328
Current tax asset	6(b)	90,079	-
Financial assets - term deposits		500,619	185,390
Other assets	11	771,193	452,976
Total current assets		**23,958,983**	**13,495,691**
Non-current assets			
Property, plant and equipment	12	8,522,564	6,421,473
Intangible assets	13	8,317,229	1,424,662
Other assets	11	45,422	108,067
Total non-current assets		**16,885,215**	**7,954,202**
Total assets		**40,844,198**	**21,449,893**
Liabilities			
Current liabilities			
Trade and other payables	15	8,889,820	4,006,934
Borrowings	16	167,202	-
Financial liabilities	17	70,117	224,101
Other liabilities		217,237	-
Total current liabilities		**9,344,376**	**4,231,035**
Non-current liabilities			
Borrowings	16	55,500	-
Provisions		10,000	-
Deferred tax liability	6(c)	236,257	48,880
Financial liabilities	17	944,883	-
Other liabilities		29,982	-
Total non-current liabilities		**1,276,622**	**48,880**
Total liabilities		**10,620,998**	**4,279,915**
Net assets		**30,223,200**	**17,169,978**
Equity			
Issued capital	18	80,135,544	50,109,608
Other equity	27(c)	(11,913,909)	(11,913,909)
Reserves	19	13,281,682	319,489
Accumulated losses	20	(51,280,117)	(21,345,210)
Total equity		**30,223,200**	**17,169,978**

*Restatement relates to adjustments to provisional values of assets acquired and liabilities assumed for the acquisition of OMNIX Group AD (refer to note 27(b))

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 2017

	Notes	Issued capital $	Reserves $	Other equity $	Accumulated losses $	Total equity $
Balance at 27 July 2015		-	-	-	-	-
Loss for the period		-	-	-	(21,345,210)	(21,345,210)
Other comprehensive income		-	185,516	-	-	185,516
Total comprehensive loss for the period		**-**	**185,516**	**-**	**(21,345,210)**	**(21,159,694)**
Transactions with owners in their capacity as owners:						
Issue of ordinary share capital	18	51,000,001	-	-	-	51,000,001
Common-control transactions	27(c)	-	-	(11,913,909)	-	(11,913,909)
Share-based payments	21	-	133,973	-	-	133,973
Share issue costs	18	(890,393)	-	-	-	(890,393)
Balance at 30 June 2016		**50,109,608**	**319,489**	**(11,913,909)**	**(21,345,210)**	**17,169,978**
Balance at 01 July 2016		50,109,608	319,489	(11,913,909)	(21,345,210)	17,169,978
Loss for the period		-	-	-	(29,934,907)	(29, 934,907)
Other comprehensive income		-	576,147	-	-	576,147
Total comprehensive loss for the period		**-**	**576,147**	**-**	**(29,934,907)**	**(29,358,760)**
Transactions with owners in their capacity as owners:						
Issue of ordinary share capital	18	30,999,490	-	-	-	30,999,490
Cash received for shares not yet issued	19	-	11,441,287	-	-	11,441,287
Share-based payments	21	-	944,759	-	-	944,759
Share issue costs	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**

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 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		12,097,952	2,484,003
Payments to suppliers and employees		(36,444,535)	(17,773,597)
Other income received		103,312	-
Income taxes paid		(249,515)	-
Finance costs		(100,670)	(60,683)
Net cash flows used in operating activities	**9(a)**	**(24,593,456)**	**(15,350,277)**
Cash flows from investing activities			
Interest received		195,274	146,469
Payment for financial assets		(307,470)	(185,390)
Payment for property, plant and equipment		(4,371,155)	(5,492,220)
Payment for intangible assets		(1,876,780)	(746,288)
Purchase of controlled entities, net of cash acquired	27(d)	(993,876)	(186,230)
Transaction costs relating to acquisition of subsidiary		(180,672)	(93,327)
Net cash flows used in investing activities		**(7,534,679)**	**(6,556,986)**
Cash flows from financing activities			
Proceeds from issue of new shares		42,440,777	35,000,001
Share issue transaction costs	18(a)	(973,554)	(890,393)
Repayment of borrowings		(197,301)	-
Repayment of loan from founding shareholder	28(f)	-	(375,719)
Net cash flows from financing activities		**41,269,922**	**33,733,889**
Net increase in cash and cash equivalents held		**9,141,787**	**11,826,626**
Effects of exchange rate changes on cash and cash equivalents		15,540	43,371
Cash and cash equivalents at beginning of the period		11,869,997	-
Cash and cash equivalents at end of the period	**9**	**21,027,324**	**11,869,997**

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

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Notes to the Consolidated Financial Statements

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 it's subsidiaries ('the Group') are described in the Directors' Report and note 3.

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 financial statements are for the group consisting of Megaport Limited and its subsidiaries ('the Group').

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

(b) Basis of preparation

These 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 Megaport Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Reporting period and comparative information
The consolidated financial statements prepared for the Group cover the year 1 July 2016 to 30 June 2017. Comparative information covers the period 27 July 2015 (date of Incorporation) to 30 June 2016.

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 period, 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 share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, 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 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*
- AASB 1057 *Application of Australian Accounting Standards, AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs*

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

Title of standard	**AASB 15 *Revenue from Contracts with Customers***
Nature of change	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 *Revenue*, AASB 111 *Construction Contracts*, and the related interpretations when it becomes effective. 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. Under AASB 15, an entity recognised revenue when (or as) a performance obligation is satisified. I.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Extensive disclosures are required by AASB 15. The standard permits either a full retrospective or a modified retrospective approach for adoption.
Impact	The Group has yet to undertake a detailed assessment of the recognition of revenue. The Group expects to adopt the modified retrospective approach to implementation where any retrospective adjustment is recognised in retained earnings at the date of implementation of the standard without adjustment of the comparatives. The new standard will only be applied to contracts that remain in force at the transition date.
Mandatory application date / date of adoption by the Group	Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption. Expected date of adoption by the Group: 1 July 2018.

Title of standard	**AASB 9 *Financial Instruments***
Nature of change	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.
Impact	*Classification and measurement* The material financial assets held by the Group are: • Cash and cash equivalents • Loans and receivables While the Group has yet to undertake a detailed assessment of the classification and measurement of its' financial assets, 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 *Financial Instruments: Recognition and Measurement.* Note this excludes the impact of impairment, which is outlined below. There will be no 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. *Hedge accounting* As the Group does is not currently impacted by hedge accounting requirements, the Group does not expect the new guidance to have a significant impact on the Group's results. *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. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses. *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.

Mandatory application date / date of adoption by the Group	Must be applied for financial periods commencing on or after 1 January 2018. Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt AASB 9 before its mandatory date.

Title of standard	**AASB 16 *Leases***
Nature of change	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 Separation will be split into a principal and interest portion in the Statement of Cash Flows which will be 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 $14,600,552 (2016: $13,772,582), see note 24(b). However, 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.
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 ending**
AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017	1 July 2017
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	1 January 2017	1 July 2017
AASB 2017-2 *Further Annual Improvements 2014-2016 Cycle*	1 January 2017	1 July 2017
AASB 2016-5 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018	1 July 2018
AASB Interpretation 22 *Foreign Currency Translation and Advance Consideration*	1 January 2018	1 July 2018

(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.

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.

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 interests' 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 of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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.

(e) 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.

(f) 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, whom make strategic decisions on behalf of the Company.

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

(g) 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.

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.

(h) 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.

(i) **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable 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 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.

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

At this stage, the entities within the tax-consolidated group have not entered into a tax funding arrangement and a tax sharing agreement. This is something that is anticipated to be addressed in the near future, and the formal accounting policy will be formed in parallel with this process.

(j) 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(k)). 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

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

PPE Category	Expected Useful Life	Method
Network equipment	3 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.

(o) 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.

(p) 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.

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.

(q) 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.

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.

(r) 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.

(s) 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.*

(t) 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 are 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 are 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.

(u) Share-based payment arrangements

Equity-settled share-based payments to employees 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 share-based transactions are set out in note 21.

The fair value determined at the grant date of the equity-settled share-based payments 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 share-based payment 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.

For cash-settled share-based payments, 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.

(v) 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.

(w) 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

(x) 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 Company 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) Allowance for doubtful debts

The Group determines whether trade receivables are collectable on an ongoing basis. This assessment requires estimations of the individual recoverability of each debt and, if considered uncollectable, is subject to an impairment provision.

(c) 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 review 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.

(d) 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.

(e) Fair value measurements of share-based payments

The share-based payments are measured at fair value for financial reporting purposes. In estimating the fair value of the share-based payments, 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 telecommunications industry.

(f) 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.

(g) 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 in the Consolidated Statement of Financial Position for any entities that have not generated a profit since Incorporation.

(h) Impairment of assets

In accordance with the Group's accounting policy, impairment assessment has been undertaken as at 30 June 2017 for all groups of cash generating units 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, judgement's and estimates throughout the process. Details of these key areas include the following:

Management judgement is applied to establish the CGUs. Management have formed the judgement that the CGU will be the lowest geographical area that derives its revenue mostly independent of other geographical regions.

The value-in-use model includes a five-year discounted cash flow forecast, plus a terminal value. The discounted cash flow forecast is based on a one-year management approved budget, which is then extrapolated across a four-year period to form the remaining four years. This five-year forecast uses management estimates to determine revenue, expenses, capital expenditure and cash flows for each asset and CGU. It also includes assumptions around how both corporate expenses and corporate assets are absorbed or utilised within each CGU.

Capital expenditure within the forecast is based on management's judgement that each piece of network equipment will be replaced every five years. This assessment was formed by performing a comparison with other technology companies and advice obtained from key engineering employees.

Growth rates included in the forecast are based on management's reasonable expectation of the CGU's long-term performance in their markets, including growth plans and using historical performance of some of the longer standing CGU's, as not all CGU's have historical trends to assess against.

Other key assumptions formed by management are growth rate of operating expenses based on historical inflation data available and pre-tax discount rates are formed using market data available and assumptions around factors such as risk-premiums.

(i) Indefeasible rights to use and long-term agreements (IRUs)

The IRU and long-term agreements require management's judgement to determine the appropriate classification and treatment of the contracts within the financial statements. Management have concluded these agreements to be intangible assets in the form of IRU capacity assets, specifically dark fibre. Within the agreements, Megaport has exclusive access to the dark fibre and the provider can substitute, modify or replace the fibre cores and pathways, which is possible given the large volume of fibre available to the provider in comparison to how much Megaport has been given rights to. Based on this judgement and the requirements under AASB 138 *Intangible Assets*, management have defined the IRUs as intangible asset.

3 Segment information

(a) Description of segments

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, whom make strategic decisions on behalf of the Company.

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 receive revenue based on the services described in note 1(f). These segments are:

- **Asia-Pacific** includes Australia, New Zealand, Hong Kong and Singapore. The segment includes key data centres in each market. 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 at the end of April 2016 and now has 61 sites across the United States of America and Canada. A number of partnership agreements have been signed to benefit the network, with businesses including Digital Realty, AMS-IX, EdgeConnex and CyrusOne. International capacity has been added this year, between the United States of America and Europe.
- **Europe's** network went live in 2017 Q1 through the acquisition of OMNIX Group AD (note 27(b)) and Peering GmbH (note 27(a)) and Megaport built sites. These factors have developed a fully operational market in 57 locations across Europe.
- **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 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.

The segment information provided to the CODM for the reportable segments for the period ended 30 June 2017 is as follows:

2017	Notes	Asia-Pacific $	North America $	Europe $	Total operating segments $	Other[2] $	Total $
01.07.2016 – 30.06.2017							
Revenue[1]	**4**	**5,056,797**	**1,290,342**	**4,321,474**	**10,668,613**	**-**	**10,668,613**
Net loss		**(5,605,022)**	**(10,978,978)**	**(2,803,280)**	**(19,387,280)**	**(10,547,627)**	**(29,934,907)**
Interest income		7,761	411	-	**8,172**	194,862	**203,034**
Depreciation of non-current assets – PPE	7	1,255,280	1,448,346	869,711	**3,573,337**	-	**3,573,337**
Amortisation of non-current assets – intangible assets	7	50,520	-	324,972	**375,492**	207,125	**582,617**
Income tax (benefit)	6	-	-	(45,437)	**(45,437)**	-	**(45,437)**
As at 30 June 2017							
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 current period (2016: nil)
2. "Other" represents head office and group services costs, whose function is to support the operating segments and growth of the global business

2016	Notes	Asia-Pacific $	North America $	Europe $	Total operating segments $	Other[2] $	Total $
27.07.2015 – 30.06.2016							
Revenue[1]	**4**	**2,662,867**	**16,543**	**-**	**2,679,410**	**-**	**2,679,410**
Net profit/(loss)		**(4,626,561)**	**(8,053,358)**	**(609,246)**	**(13,289,165)**	**(8,056,045)**	**(21,345,210)**
Interest income		106	260	-	**366**	146,103	**146,469**
Rental expense relating to operating leases	7	2,094,897	1,711,773	11,696	**3,818,336**	66,000	**3,884,336**
Foreign exchange expense	7	(35,291)	292,910	31,596	**289,215**	412,026	**701,241**
Event sponsorship	7	-	276,600	-	**276,600**	-	**276,600**
Acquisition-related transaction costs	7	-	-	322,386	**322,386**	-	**322,386**
Corporate structure setup costs	7	-	24,794	154,042	**178,836**	54,137	**232,973**
Depreciation of non-current assets – PPE	7	851,896	422,403	-	**1,274,299**	-	**1,274,299**
Amortisation of non-current assets – intangibles	7	-	-	-	**-**	21,462	**21,462**
Employee share scheme issues	7	-	-	-	**-**	2,600,000	**2,600,000**
Employee share option plan	7	-	-	-	**-**	133,973	**133,973**
Listing on the ASX expenses	7	-	-	-	**-**	455,634	**455,634**
As at 30 June 2016							
Segment assets		**6,039,898**	**3,828,090**	**2,229,212***	**12,097,200***	**9,352,693**	**21,449,893***

*These figures are restated. The restatement relates to adjustments to provisional values of assets acquired and liabilities assumed for the acquisition of OMNIX Group EAD (refer to note 27(b)).

1. Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period

2. "Other" represents head office and group services costs, whose function is to support the operating segments and growth of the global business

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

	2017		2016	
Revenue from external customers	**$**	**%**	**$**	**%**
Australia	4,100,975	38.4	2,305,668	86.1
Germany	3,924,527	36.8	-	-
United States of America	1,256,250	11.8	14,822	0.6
Other countries	1,386,861	13.0	358,920	13.3
Total	**10,668,613**	**100.0**	**2,679,410**	**100.0**

No single customer contributed 10% or more to the Group's revenue for both the 2017 and 2016 reporting periods.

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

	2017		2016	
Location of non-current assets	**$**	**%**	**$**	**%**
Australia	4,446,157	26.3	2,580,692	32.4
United States of America	3,456,662	20.5	2,969,981	37.4
Germany	3,395,322	20.1	-	-
Bulgaria	780,787	4.6	721,853*	9.1
Other countries	4,806,287	28.5	1,681,676	21.1
Total	**16,885,215**	**100.0**	**7,954,202***	**100.0**

*These figures are restated. The restatement relates to adjustments to provisional values of assets acquired and liabilities assumed for the acquisition of OMNIX Group EAD (refer to note 27(b)).

4 Revenue

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

	Notes	2017 $	2016 $
Revenue from the rendering of services		10,668,613	2,679,410
Total revenue from continuing operations		**10,668,613**	**2,679,410**

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 Megaport Group.

6 Income tax expense

(a) Income tax recognised in profit or loss

Income tax expense	Notes	2017 $	2016 $
Current income tax			
Current income tax expense		27,618	-
Total current tax expense		**27,618**	**-**
Deferred income tax			
Decrease in deferred tax liabilities		(73,055)	-
Total deferred tax benefit		**(73,055)**	**-**
Income tax benefit reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income		**(45,437)**	**-**

Tax losses

The Group has total unused tax losses in Australia of $17.5 million (2016: $10.1 million), in United States of America of $21.2 million (2016: $9.2 million), in Hong Kong of $2.5 million (2016: $1.2 million), in Singapore of $2.4 million (2016: $0.9 million), in the United Kingdom of $1.2 million (2016: $0.1 million) and in other countries totaling $3.3 million (2016: $0.6 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 it's Australian subsidiaries were consolidated for income tax purposes for the 2016 financial year (refer note 1(i)).

Numerical reconciliation of income tax expense to prima facie tax payable	Notes	2017 $	2016 $
Accounting profit / (loss) before income tax		(29,980,344)	(21,345,210)
Tax at the Australian tax rate of 30% (2016: 30%)		(8,994,103)	(6,403,563)
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:			
Non-deductible amounts		260,340	822,168
Recognition of temporary differences previously not brought to account		(142,730)	(53,424)
Movement in unrecognised temporary differences		9,922	-
Deductible amounts recognised in equity		(111,837)	-
Difference in overseas tax rates		(516,982)	(625,249)
Unused tax losses not recognised		9,449,953	6,260,068
Income tax benefit		**(45,437)**	**-**

(b) Current tax assets and liabilities

	Notes	2017 $	2016 $
Current tax assets			
Tax refund receivable		90,079	-
		90,079	**-**

(c) Deferred tax balances

The following is the analysis of deferred tax liabilities presented in the Consolidated Statement of Financial Position:

2017	Opening balance $	Recognised in profit or loss $	Acquisitions/ disposals $	Foreign currency movements $	Closing balance $
Deferred tax liabilities in relation to:					
Intangible assets	(48,880)	73,055	(264,393)	3,961	(236,257)
	(48,880)	**73,055**	**(264,393)**	**3,961**	**(236,257)**

2016	Opening balance $	Recognised in profit or loss $	Acquisitions/ disposals $	Foreign currency movements $	Closing balance $
Deferred tax liabilities in relation to:					
Intangible assets	-	-	(48,880)	-	(48,880)
	-	**-**	**(48,880)**	**-**	**(48,880)**

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

	Notes	2017 $	2016 $
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:			
Temporary differences		1,122,812	502,727
Tax losses carried forward		15,519,059	7,020,123
Total deferred tax not recognised		**16,641,871**	**7,522,850**

7 Material profit or loss items

The Group has identified a number of specific expenses 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 and to distinguish one-off costs related to the structuring and establishment of the Group.

	Notes	2017 $	2016 $
Expenses			
Depreciation and amortisation			
Depreciation of non-current assets – property, plant and equipment	12	3,573,337	1,274,299
Amortisation of non-current assets – intangible assets	13	582,617	21,462
		4,155,954	**1,295,761**
Share-based payment expense			
Employee share scheme issues[1]	21(d)	-	2,600,000
Employee share option plan	21(d)	944,759	133,973
		944,759	**2,733,973**
Other expense disclosures			
Rental expense relating to operating leases	(a)	8,516,103	3,884,366
Defined contribution superannuation expense		769,875	314,048
Net foreign exchange losses	(b)	969,793	701,241
Event sponsorship (AWS re:Invent)	(c)	-	276,600
Acquisition-related transaction costs[1]	27(a)	180,672	322,386
Corporate structure setup costs[1]	(d)	159,000	232,973
Listing on the ASX expenses[1]	(e)	-	455,634

1. These costs are a one-off to the Group, incurred through the setup of the business and group structure.

(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.

(c) During 2016, a platinum sponsorship for the AWS re:Invent 2015 conference was obtained as a means to gain status and build brand awareness of the Megaport name and service when it stepped into the US market.

(d) Professional tax and legal advice was obtained to establish Megaport Limited and its' wholly-owned subsidiaries. This advice was to both setup the corporate structure and ensure the structure of the business was best suited to the long-term business plans. Many factors were considered to ensure an appropriate structure was developed, including taxation and accounting requirements and relevant legal & regulatory frameworks.

(e) To fund the growth phase of Megaport an initial public offering was conducted. In order to do this, the process of listing the Company on the Australian Stock Exchange was required. These costs were not incremental costs directly attributable to the issuing of new shares, therefore are a one-off cost to the Company's profit and loss.

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:

	Notes	2017 $	2016 $
Net profit/(loss) for the period attributable to owners of the Company		(29,934,907)	(21,345,210)
Earnings used in the calculation of basic earnings per share from continuing operations		**(29,934,907)**	**(21,345,210)**

	Notes	2017 No. of Shares	2016 No. of Shares
Weighted average number of ordinary shares for the purposes of basic earnings per share		86,126,173	59,646,018

(b) Diluted earnings per share

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

	Notes	2017 $	2016 $
Earnings used in the calculation of basic earnings per share		(29,934,907)	(21,345,210)
Earnings used in the calculation of diluted earnings per share from continuing operations		**(29,934,907)**	**(21,345,210)**

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 is as follows:

	Notes	2017 No. of Shares	2016 No. of Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share		86,126,173	59,646,018
Shares deemed to be issued for no consideration in respect of:			
Employee options	(a)	272,501	303,401
Fully paid ordinary shares, not yet allotted	(b)	2,760	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share		86,401,434	59,949,419

(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(a).

(b) Ordinary shares for which full consideration has been received, however are not yet allotted have been included in the determination of diluted earnings per share. Details relating to the shares not yet alloted are set out in note 19.

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	2017 $	2016 $
Cash at bank and on hand	(a)	20,012,324	11,484,422
Funds held in escrow	(b)	1,015,000	224,101
Short-term deposits		-	161,474
Total cash and cash equivalents		**21,027,324**	**11,869,997**

(a) Included in cash at bank is an amount of $nil (2016: $150,730) that is held under lien by the bank as security for company credit cards, and is therefore not available for use by the Group. Also included is $11.4 million (2016: $nil) received before balance date, for the issue of shares after balance date. Refer to notes 19(c) and 25(a) for further details.

(b) Funds held in escrow are not available for use by the Group. The funds are the balance payable for the acquisitions of Peering GmbH and OMNIX Group EAD (refer to note 27(a) & (b)) and are required to be held in escrow from acquisition date until they are payable to the sellers each entity.

Cash at bank earns interest at floating rates based on daily bank deposit rates: 0.00% - 1.48% (2016: 0.00% - 1.45%).

Short-term deposits earn interest at rates agreed to at the start of the term: 0.28% - 1.48% (2016: 0.14% - 1.71%).

The weighted average interest rate for the period was 0.92% (2016: 1.24%).

(a) Reconciliation of profit/(loss) for the period to net cash flows used in operating activities

Cash flows used in operating activities	Notes	2017 $	2016 $
Loss for the period		(29,934,907)	(21,345,210)
Adjustments for:			
Interest income		(203,034)	(146,469)
Depreciation and amortisation	12, 13	4,155,955	1,295,761
Gain/(loss) on disposal of non-current assets		51,301	-
Net exchange differences		591,001	53,079
Transaction costs related to acquisition of subsidiary	27(a)	180,672	322,386
Expense recognised in respect of equity-settled share based payments	21(d)	944,763	2,733,973
		5,720,658	**4,258,730**
Movements in working capital			
Increase in trade and other receivables		(411,400)	(634,746)
(Increase)/decrease in other assets		(212,183)	574,204
Increase in trade and other payables		416,265	1,796,745
Increase in provisions		10,000	-
Decrease in tax liabilities		(316,031)	-
Increase in other liabilities		134,142	-
		(379,207)	**1,736,203**
Net cash used in operating activities		**(24,593,456)**	**(15,350,277)**

10 Trade and other receivables

	Notes	2017 $	2016 $
Current			
Trade receivables	(a)	1,652,568	737,960
Allowance for doubtful debts	(b)	(100,177)	(97,787)
		1,552,391	**640,173**
Other receivables		17,377	347,155
		1,569,768	**987,328**

(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 for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the are still considered recoverable.

Age of receivables that are past due but not impaired	Notes	2017 $	2016 $
1 – 30 days past due		328,652	135,636
31 – 60 days past due		222,866	106,196
61+ days past due		268,066	164,587*
Total		**819,584**	**406,419***

*These figures are restated. The restatement relates to adjustments to provisional values of assets acquired and liabilities assumed for the acquisition of OMNIX Group EAD (refer to note 27(b)).

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.

Movement in the allowance for doubtful debts	Notes	2017 $	2016 $
Balance at beginning of the year		97,787	-
Impairment losses recognised on receivables		158,382	97,787
Amounts written off during the period as uncollectable		(62,746)	-
Amounts recovered during the year		(88,719)	-
Impairment losses reversed		(3,919)	-
Foreign exchange translation gains and losses		(608)	-
Balance at end of the year		**100,177**	**97,787**

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.

Age of impaired trade receivables	Notes	2017 $	2016 $
1 – 30 days past due		4,614	6,193
31 – 60 days past due		6,295	3,539
61+ days past due		89,268	88,055
Total		**100,177**	**97,787**

11 Other assets

	Notes	2017 $	2016 $
Current			
Prepayments		615,697	363,986
Accrued revenue		101,923	57,971
Deposits & bonds		53,573	31,019
		771,193	**452,976**
Non-current			
Deposits & bonds		-	62,645
Other assets		45,422	45,422
		45,422	**108,067**
		816,615	**561,043**

12 Property, plant and equipment

	Notes	Network equipment $	Furniture & office equipment $	Computer equipment $	Leasehold Improvements $	Assets under construction $	Total $
Year ended 30 June 2017							
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	27(a)	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**
At 30 June 2017							
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**
Period ended 30 June 2016							
Opening net book amount		-	-	-	-	-	-
Additions		4,398,345	37,877	253,313	-	1,634,227	6,223,762
Acquisitions through business combinations	27	1,336,033	11,645	113,186	-	-	1,460,864
Depreciation charge		(1,170,099)	(9,012)	(95,188)	-	-	(1,274,299)
Exchange differences		8,725	(38)	2,459	-	-	11,146
Net book value as at 30 June 2016		**4,473,004**	**40,472**	**273,770**	**-**	**1,634,227**	**6,421,473**
At 30 June 2016							
Cost		6,411,962	50,229	386,750	-	1,634,227	8,483,168
Accumulated depreciation		(1,938,958)	(9,757)	(112,980)	-	-	(2,061,695)
Net book value as at 30 June 2016		**4,473,004**	**40,472**	**273,770**	**-**	**1,634,227**	**6,421,473**

(a) No additions during the period 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 $222,702.

13 Intangible assets

	Notes	Software $	Customer contracts & relationships $	Network rights $	IRU assets $	Brand names, patents & other intangibles $	Goodwill $	Software under development $	Total $
Year ended 30 June 2017									
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(a)	11,656	287,300	553,600	-	35,300	1,265,851	-	2,153,707
Disposals		-	-	-	-	(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**
At 30 June 2017									
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**

	Notes	Software $	Customer contracts & relationships $	Network rights $	IRU assets $	Brand names, patents & other intangibles $	Goodwill $	Software under development $	Total $
Period ended 30 June 2016									
Opening net book amount		-	-	-	-	-	-	-	-
Additions		359,743	-	-	-	60,808	-	325,737	746,288
Acquisitions through business combinations	27(b)	-	240,300*	248,500*	-	1,500*	209,536*	-	699,836*
Amortisation charge		(21,341)	-	-	-	(121)	-	-	(21,462)
Exchange differences		-	-	-	-	-	-	-	-
Net book value as at 30 June 2016		**338,402**	**240,300**	**248,500**	**-**	**62,187**	**209,536**	**325,737**	**1,424,662**
At 30 June 2016									
Cost		359,743	240,300	248,500	-	62,308	209,536	325,737	1,446,123
Accumulated amortisation		(21,341)	-	-	-	(121)	-	-	(21,462)
Net book value as at 30 June 2016		**338,402**	**240,300**	**248,500**	**-**	**62,187**	**209,536**	**325,737**	**1,424,662**

*These figures are restated. The restatement relates to adjustments to provisional values of assets acquired and liabilities assumed for the acquisition of OMNIX Group EAD (refer to note 27(b)).

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 in the current period is $206,771 (2016: $197,612), which is included in the employee benefits expense on the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Customer contracts & relationships, network rights, and brand names

The customer contracts & relationships, network rights, and brand names acquired as part of a business combination (see note 27 for details) are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

14 Impairment testing 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 has been allocated for impairment testing purposes to the following CGUs:

- Germany
- Eastern Europe

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

	Notes	2017 $	2016 $
Germany		1,256,919	-
Eastern Europe		196,992	209,536
	13	**1,453,911**	**209,536**

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.

2017	**Notes**	**Germany**	**Eastern Europe**
Post-tax discount rate applied to the cash flow projection		10.75%	19.50%
Cash flows beyond the next financial year, up to year 5, are extrapolated using a growth rate of:			
Revenue (years 2 – 5)		0%	65%
Local operating expenses (years 2 – 5)		1.5%	2.0%
Corporate operating expenses (years 2 – 5)		2.5%	2.5%
Terminal value		3.0%	3.0%

Key assumptions used for value-in-use calculations for the year ended 30 June 2017

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 operating 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.

Sensitivity to changes in assumptions

Management recognises that there are various reasons the estimates used in these assumptions may vary. For cash generating units, there are possible changes in key assumptions that could cause the carrying value of the unit to exceed its recoverable amount. The changes required to each of the key assumptions to cause the carrying value of a unit to exceed its recoverable amount are shown as follows:

Key assumption	Possible change considered	Change required to indicate impairment	
		Germany	Eastern Europe
Post-tax discount rate	Changes in risk free rate, beta, market risk premium, or gearing ratios	Increase to 13.01%	Increase to 27.26%
Growth rates (years 2–5):			
Revenue	Reduction in customer retention and / or average price per customer or service and / or a lag in securing new customers	Decrease to (2%)	Decrease to 31%
Local operating expenses	Higher labour and / or other support costs	Increase to 4.8%	Increase to 13%
Corporate operating expenses	Higher labour and / or other support costs	Increase to 13%	Increase to 33.3%
Terminal value	Combination of the above revenue and expense changes	Decrease to 0%	Decrease to (10.8%)

15 Trade and other payables

	Notes	2017 $	2016 $
Current			
Trade payables	(a),(c)	2,878,706	1,726,864
Employee entitlements	(b)	1,604,317	798,229
Other payables and accruals	(c)	4,406,797	1,481,841
		8,889,820	**4,006,934**

(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)).

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	2017 $	2016 $
Secured – at amortised cost			
Current			
Finance lease liabilities	(a)	167,202	-
		167,202	**-**
Non-current			
Finance lease liabilities	(a)	55,500	-
		55,500	**-**
		222,702	**-**

(a) Secured by the assets leased. The borrowings are fixed interest rate debt with repayment periods not exceeding 3 years.

17 Other financial liabilities

	Notes	2017 $	2016 $
Current			
Contingent consideration	(a)	70,117	224,101
		70,117	**224,101**
Non-current			
Contingent consideration	(a)	944,883	-
		944,883	**-**
		1,015,000	**224,101**

(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.
(a) $944,883 (EUR 650,000) for Peering GmbH
(b) $70,117 (EUR 50,000) for OMNIX Group EAD

Fair value measurement
The following table presents the changes in the above financial liabilities for the year ended 30 June 2017:

	Notes	Contingent consideration $
Opening balance 1 July 2016		224,101
Additions	27(a)	951,600
Paid out (cash)	27(d)	(149,400)
Foreign exchange movement		(11,301)
Closing balance 30 June 2017		**1,015,000**

For these instruments, their carrying value is considered to be a reasonable approximation of their fair value. This is due to both the 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	2017 Shares	2017 $	2016 Shares	2016 $
Fully paid	(a)	88,234,994	80,135,544	70,000,000	50,109,608
Total issued capital		**88,234,994**	**80,135,544**	**70,000,000**	**50,109,608**

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	Notes	Number of shares	Total $
Balance at 27 July 2015		-	-
Shares issued - Incorporation of Megaport Limited		1	1
Shares issued - Acquisition of Megaport subsidiaries[1]	27(c)	13,499,999	5,400,000
Shares issued - Conversion of founding shareholder loan to equity[1]	28(f)	20,000,000	8,000,000
Shares issued - To founding management team[1]	21(c)	6,500,000	2,600,000
Shares issued - Private placement		10,000,000	10,000,000
Shares issued - Initial public offering		20,000,000	25,000,000
Less: Transaction costs arising on share issues		-	(890,393)
Balance at 30 June 2016		**70,000,000**	**50,109,608**
Shares issued - Private placement		10,500,000	17,850,000
Shares issued - Share Purchase Plan		7,734,994	13,149,490
Less: Transaction costs arising on share issues		-	(973,554)
Balance at 30 June 2017		**88,234,994**	**80,135,544**

1. These movements in ordinary shares were non-cash transactions, therefore have been excluded from the consolidated statement of cash flows.

(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 general 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	2017 $	2016 $
Total borrowings		222,702	-
Total equity		30,223,200	17,169,978
Gearing ratio		**0.7%**	**0.0%**

19 Reserves

	Notes	2017 $	2016 $
Foreign currency translation reserve	(a)	761,663	185,516
Equity-settled employee benefits reserve	(b)	1,078,732	133,973
Share allotment reserve	(c)	11,441,287	-
		13,281,682	**319,489**

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 period. A description of the nature and purpose of each reserve is provided below the table.

	Notes	Foreign currency translation $	Equity-settled employee benefits $	Share allotment reserve $	Total $
Balance at 27 July 2015		-	-	-	-
Exchange differences arising on translation of foreign operations		185,516	-	-	185,516
Total other comprehensive income		**185,516**	**-**	**-**	**185,516**
Recognition of share-based payments		-	133,973	-	133,973
Balance at 30 June 2016		**185,516**	**133,973**	**-**	**319,489**
Balance at 01 July 2016		185,516	133,973	-	319,489
Exchange differences arising on translation of foreign operations		576,147	-	-	576,147
Total other comprehensive income		**761,663**	**133,973**	**-**	**895,636**
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**

(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 of the foreign operation.

(b) Equity-settled employee benefits reserve

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

(c) Share allotment reserve

The share allotment reserve relates to cash received for 5,448,232 shares which were allocated, and subsequently issued on 4 July 2017 (refer note 25(a)). Total shares issued on 4 July 2017 was 13,235,249.

20 Accumulated losses

	Notes	2017 $	2016 $
Accumulated losses		(51,280,117)	(21,345,210)
		(51,280,117)	**(21,345,210)**

Movements in accumulated losses were as follows:

	Notes	2017 $	2016 $
Balance at beginning of period		(21,345,210)	-
Net loss attributable to owners of the Company		(29,934,907)	(21,345,210)
Balance at end of period		**(51,280,117)**	**(21,345,210)**

21 Share-based payments

(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.

The following share-based payment arrangements under the ESOP General were in existence during the current year (2016: nil):

Options series	**Number of 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	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	07/09/2016	07/09/2017 – 07/09/2019	29/08/2018 – 29/08/2020	1.84	1.0693 – 1.3428
Series 2016 – 5	140,000	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	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	05/10/2016	05/10/2019	04/10/2020	2.02	1.4078
Series 2016 – 8	490,000	17/10/2016	17/10/2017 – 17/10/2019	16/10/2018 – 16/10/2020	2.02	1.0421 – 1.3243
Series 2016 – 9	100,000	02/12/2016	23/11/2017	01/12/2019	2.02	0.8417
Series 2017 – 1A	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	01/01/2017	01/01/2018 – 01/01/2021	31/12/2018 – 31/12/2021	1.84	0.9256 – 1.3370

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 period
The weighted average fair value of the share options granted during the financial period is $1.1044 (2016: None granted). 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, volatility based on similar businesses, due to having less 18 months data to assess.

			Inputs into the model			
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

(iii) Movements in share options during the period
The following reconciles the share options outstanding at the beginning and end of the period:

	2017		2016	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the period	-	-	-	-
Granted during the period	2,340,000	1.91	-	-
Forfeited during the period	(225,000)	1.92	-	-
Balance at end of the period	**2,115,000**	**1.91**	**-**	**-**

There are no options that have vested and become exercisable in the current reporting period (2016: nil). No options expired during the current reporting period (2016: nil).

(iv) Share options outstanding at the end of the period
The share options outstanding at the end of the period had a weighted average exercise price of $1.91 (2016: nil options outstanding), and a weighted average remaining contractual life of 855 days (2016: nil options outstanding).

(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 as to who to award options to.

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 during the current and prior periods:

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

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 period
The weighted average fair value of the share options granted during the financial period is $nil (none granted) (2016: $0.366). 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 telecommunications industry, adjusted for any expected changes to future volatility due to publicly available information.

(iii) Movements in share options during the period
The following reconciles the share options outstanding at the beginning and end of the period:

	2017		2016	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the period	1,300,000	1.25	-	-
Granted during the period	-	-	1,300,000	1.25
Forfeited during the period	(100,000)	1.25	-	-
Balance at end of the period	**1,200,000**	**1.25**	**1,300,000**	**1.25**

300,000 options have vested and become exercisable in the current reporting period (2016: nil). No options expired during the current reporting period (2016: nil).

(iv) Share options outstanding at the end of the period
The share options outstanding at the end of the period had a weighted average exercise price of $1.25 (2016: $1.25), and a weighted average remaining contractual life of 766 days (2016: 1,117 days).

(c) Founding employee share scheme

A scheme under which shares were issued to key founding management personnel of Megaport Limited for no cash consideration was approved by the Board of Directors on 4 August 2015. Once the employees received the offer, it was at their discretion to elect to participate in the scheme with the lodgement of a valid share application form by 5 August 2015.

Total number of shares issued under the plan to participating employees on 5 August 2015 is 6,500,000 ordinary shares. The shares rank equally with other fully-paid ordinary shares on issue (refer to note 15). The shares had a grant date fair value of $0.40.

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Notes	2017 $	2016 $
Options issued under ESOP General	(a)	834,889	-
Options issued under 2015 ESOP	(b)	109,870	133,973
Shares issued under founding employee share scheme	(c)	-	2,600,000
Total expense		**944,759**	**2,733,973**

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	2017 $	2016 $
Financial assets			
Cash and cash equivalents	9	21,027,324	11,869,997
Trade and other receivables	10	1,569,768	987,328
Deposits & bonds	11	53,573	93,664
Other financial assets		500,619	185,390
Total financial assets		**23,151,284**	**13,136,379**
Financial liabilities			
Trade and other payables	15	8,889,820	4,006,934
Borrowings	16	222,702	-
Contingent consideration for business combinations	17	1,015,000	224,101
Total financial liabilities		**10,127,522**	**4,231,035**

(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 reporting period, 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.

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 Group's 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	2017 $	2016 $
Australian dollar		16,412,943	8,758,875
US dollar		2,681,571	2,569,713
Euro		1,456,969	224,101
Sterling		146,497	-
Swiss franc		136,538	-
Singapore dollar		95,774	230,222
Other		97,032	87,086
Total cash and cash equivalents		**21,027,324**	**11,869,997**

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 period. 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 2017, 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.

	2017		2016	
Gains/(losses) associated with ten per cent strengthening of AUD	**Closing exchange rate AUD**	**Effect on net profit / (loss) $**	**Closing exchange rate AUD**	**Effect on net profit / (loss) $**
US dollar	1.1708	2,340,594	1.2093	(1,089,781)
Sterling	1.5223	713,903	1.6192	(80,253)
Singapore dollar	0.8500	273,809	0.8968	(172,118)
Hong Kong dollar	0.1500	183,613	0.1558	(106,682)
New Zealand dollar	0.8573	108,726		
Euro	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 2017, if interest rates had increased by 100 basis points from the year end rates with all other variables held constant, post-tax profit for the period would have been $3,854 higher / $3,854 lower (2016: $65,430 higher / $65,430 lower), 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:

	2017		2016	
	$	Credit Rating[1]	$	Credit Rating[1]
Australia	17,273,000	A+	10,651,589	A+
Australia	1,063,515	AA-	120,659	AA-
North America	270,229	AA-	250,905	AA-
North America	389,972	A+	-	-
Asia	273,509	AA-	616,114	AA-
Europe	456,126	AA-	-	-
Europe	136,625	AAA	-	-
Europe	47,194	A-	-	-
Europe	31,949	A+	-	-
Europe	1,085,205	Not applicable[2]	230,730	Not applicable[2]
Total	**21,027,324**		**11,869,997**	

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 2017 (2016: August 2016).
2. The majority of these funds are held in escrow in line with the business combination agreements of OMNIX Group EAD and Peering GmbH (refer note 27(a)&(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 2017, more than 280 customers owed the Group $1.27m and accounted for approximately 79% 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 $21.03million (2016: $11.87million).

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

Financing arrangements
At 30 June 2017, the Group had finance leases (refer to note 16). There were no other debt facilities, used or unused (2016: nil).

During August 2017, Megaport Limited was successful in a capital raising for the issue of ordinary shares raising a total of $31 million.

Subsequent to 30 June 2017, Megaport Limited was successful in a capital raising for the issue of ordinary shares raising a total of $27.79million. $11.4million of the funds had been received prior to 30 June 2017 (refer note 19).

(i) Maturities of financial liabilities
The following table reflects all contractually fixed repayments and interest resulting from recognised financial liabilities as at 30 June 2017.

The Group's financial liabilities comprise of trade and other payables, borrowings and other financial liabilities, and no derivative financial instruments are held. The respective undiscounted cash flows for the respective upcoming financial years 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 2017.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities within agreed repayment periods. The tables have 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 tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate %	Less than 1 month $	1-3 months $	3 months to 1 year $	1-5 years $	Total $	Carrying amount $
30 June 2017							
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**
30 June 2016							
Trade and other payables	-	4,006,934	-	-	-	4,006,934	4,006,934
Contingent consideration for business combinations	-	-	-	224,101	-	224,101	224,101
Total		**4,006,934**	**-**	**224,101**	**-**	**4,231,035**	**4,231,035**

23 Contingent liabilities

The Group has no contingent liabilities at reporting date (2016: 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.

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

		Minimum lease payments		Present value of minimum lease payments	
	Notes	**2017 $**	**2016 $**	**2017 $**	**2016 $**
Within one year		187,601	-	167,202	-
After one year but not more than five years		62,296	-	55,500	-
		249,897	**-**	**222,702**	**-**
Less: future finance charges		27,195			
Present value of minimum lease payments		**222,702**	**-**	**222,702**	**-**
Included in the consolidated financial statements as:					
Current borrowings	16			167,202	-
Non-current borrowings	16			55,500	-
				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	**2017 $**	**2016 $**
Within one year		7,818,025	5,885,427
After one year but not more than five years		6,782,527	7,887,155
Total		**14,600,552**	**13,772,582**

(c) Direct network cost commitments

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

	Notes	**2017 $**	**2016 $**
Within one year	(a)	73,498	-
After one year but not more than five years	(a)	320,000	-
More than five years	(a)	396,254	-
Total		**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 reporting period

(a) Capital raising – Institutional Placement

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 new shares issued are ordinary shares and rank equally with existing Megaport ordinary shares. The transaction was fully underwritten by Morgans Corporate Limited and Royal Bank of Canada. Per note 19, $11.4 million has been received in relation to this capital raising prior to 30 June 2017. The remaining $16.4 million was received by 4 July 2017.

(b) Other matters

The Group is not aware of any other 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 2017 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 2017 %	2016 %
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		Germany	100	100
Megaport (Europe) Limited		United Kingdom	100	100
Megaport (Italia) S.R.L		Italy	100	100
Megaport (Schweiz) AG		Switzerland	100	100
Megaport (Sweden) AB		Sweden	100	100
Megaport Networks (Espana) S.L.		Spain	100	100
OMNIX Group EAD	27(b)	Republic of Bulgaria	100	100
Peering GmbH	27(a)	Germany	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.

27 Business combinations

(a) 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 through 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:

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	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 & workforce of the acquiree.

The acquisition has been accounted for as finalised.

(i) 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.

(ii) 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.

(iii) 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 the acquisition would have contributed to the Group for the period 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.

(iv) Purchase consideration – cash outflow

	$
Cash consideration	951,600
Less: cash balances acquired	(107,124)
Outflow of cash – investing activities (net of cash acquired)	**844,476**

(b) Prior period – Acquisition of OMNIX Group EAD

On 30 June 2016, Megaport (Europe) Limited acquired 100% of the issued share capital of OMNIX Group EAD ("OMNIX"), an Internet Exchange business headquartered in Bulgaria, with operations through the Baltic region and a network connecting to Amsterdam. The total consideration for the acquisition comprised of $498,792 on completion ($492,163 paid net of cash balances acquired), with a further $149,401 deferred to six months after completion and $74,700 deferred to twelve months after completion.

At 30 June 2016, the fair value of assets and liabilities assumed were recognised on a provisional basis. In the current financial period, the fair value of assets acquired and liabilities assumed have been finalised with the amounts which have been altered and the effect on the financial statements has been summarised below:

(i) Goodwill arising on acquisition

	Provisional fair value at 30 June 2016 $	**Purchase price adjustment $**	**Fair value at 30 June 2017 $**
Purchase consideration	722,893	-	722,893
Less: fair value net identifiable assets	(10,534)	(502,823)	(513,357)
Goodwill on acquisition	**712,359**	**(502,823)**	**209,536**

(ii) Identifiable assets acquired and liabilities assumed

	Provisional fair value at 30 June 2016 $	Purchase price adjustment $	Fair value at 30 June 2017 $
Assets			
Cash and cash equivalents	6,629	-	6,629
Trade and other receivables	95,092	45,558	140,650
Property, plant and equipment	22,018	-	22,018
Intangible assets	-	490,300	490,300
Total assets	**123,739**	**535,858**	**659,597**
Liabilities			
Trade and other payables	(113,205)	15,845	(97,360)
Deferred tax liability	-	(48,880)	(48,880)
Total liabilities	**(113,205)**	**(33,035)**	**(146,240)**
Total identifiable net assets acquired recognised at fair value	**10,534**	**502,823**	**513,357**

The fair value of identifiable intangible assets has been assessed by an independent valuer. The independent valuer identified and measured the following intangible assets on acquisition:

- Brand name, using the relief from royalty method
- Network rights, using the cost to replicate method
- Customer contracts and relationships, using the multiple-period excess earnings method

The movements in trade and other receivables and payables is due to additional information gained since acquisition date. These values were a best estimate at 30 June 2016.

(c) Prior period - Acquisition of existing entities from Founding Shareholder

In August 2015, the Founder, as the controlling shareholder, sold all of the shares in Megaport (Australia) Pty Ltd (Megaport Australia), Megaport (Singapore) Pte. Ltd., Megaport (Hong Kong) Limited, Megaport (USA), Inc., and Megaport (UK) Limited to the Company for consideration of $5,400,000.

The acquisitions were of commonly-controlled entities, which have been accounted for at their book value at the date of acquisition (refer note 1(d)). Assets and liabilities at the time of the acquisition are measured at their book value. The net impact of common control transactions is recognised in other equity.

Megaport Australia at the time was fully operational and generating revenue from various customer contracts. A key asset acquired through the purchase was the rights to the Megaport intellectual property (comprising of software, knowledge, and know-how) and the future revenue from customer contracts. The net liabilities for all of the entities combined at the date of acquisition was $6,513,909. The Board at the time (excluding the Founder) approved the transaction. The consideration for the sale was satisfied by the issue of shares at $0.40 per share.

Name of entity	Notes	Date acquired	Net liabilities at date of acquisition
Megaport (Australia) Pty Ltd		5 August 2015	4,721,117
Megaport (Singapore) Pte Ltd		5 August 2015	550,250
Megaport (Hong Kong) Limited		5 August 2015	390,073
Megaport (USA) Inc.		5 August 2015	852,671
Megaport (UK) Limited		5 August 2015	(202)
Total net liabilities at date of acquisition			**6,513,909**
Consideration[1]	18(a)		5,400,000
Total common-control transactions recognised in other equity			**11,913,909**

1. The consideration was made up of $5,400,000 worth of shares in Megaport Limited valued at $0.40 each on 5 August 2015. No cash was paid for the business combination.

(i) Purchase consideration – cash outflow

	$
Cash consideration	-
Less: cash balances acquired	(305,933)
Inflow of cash – investing activities (net of cash acquired)	**(305,933)**

(d) Total outflow of cash attributable to business combinations

Total outflow of cash attributable to business combinations, net of cash acquired, is as follows:

	Notes	2017 $	2016 $
Acquisition of Peering GmbH	(a)(iv)	844,476	-
Acquisition of OMNIX Group EAD	17	149,400	492,163
Acquisition of existing entities from Founding Shareholder	(c)(i)	-	(305,933)
Total outflow of cash (net of cash acquired)		**993,876**	**186,230**

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 entities

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	2017 $	2016 $
Short-term benefits		1,192,200	838,198
Post-employment benefits		78,006	30,603
Long-term benefits		5,166	-
Share-based payments		294,883	1,665,644
Total		**1,570,255**	**2,534,445**

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 on pages 18 to 29.

(d) Transactions with other related parties

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

	Notes	2017 $	2016 $
Sales and purchases of goods and services			
Purchase of shared services including rent and outgoings from entities controlled by key management personnel	(i)	295,435	807,957
Purchase of office equipment from entities related to key management personnel	(i)	-	157,399
Purchase of direct network costs from entities related to key management personnel	(ii)	1,019,059	125,489
Purchase of intangible assets from entities related to key management personnel	(ii)	3,899,988	-
Other transactions			
Employee compensation of associates to key management personnel		38,145	651,027
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	-
Subscription of new ordinary shares as a result of a private placement:			
By key management personnel		-	10,000
By other related parties		-	1,190,000
Subscription of new ordinary shares as a result of the initial public offering:			
By other related parties		-	605,000

(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) and a right to use Capital B's premises at 14-16 Church Street, Fortitude Valley, Queensland. 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 right to use the premises is based on a proportion of the lease expenses (between Bevan Slattery as trustee for the Church Street Trust and Capital B), associated with the Company's use of the premises. The head lease is on arm's length terms. 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.

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 will 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 as follows:

	Notes	2017 $	2016 $
Operating lease commitments			
Within one year		833,794	650,045
After one year but not more than five years		1,129,291	1,484,755
		1,963,085	**2,134,800**
Other contractual commitments			
Within one year		73,498	-
After one year but not more than five years		320,000	-
More than five years		396,254	-
		789,752	**-**
Total		**2,752,837**	**2,134,800**

(e) Outstanding balances arising from other related parties

The following balances were outstanding at the end of the reporting period:

	Notes	2017 $	2016 $
Amounts owed by related parties			
Key management personnel		-	24,043
Entities related to key management personnel		7,323	-
		7,323	**24,043**
Amounts owed to related parties			
Key management personnel		38,336	-
Entities related to key management personnel		3,591,130	125,186
		3,629,466	**125,186**

(f) Loans from related parties

	Notes	2017 $	2016 $
Loans from key management personnel			
Beginning of the period		-	-
Loans payable - acquired through business combinations	(i)	-	(8,414,489)
Foreign exchange gain/(loss)		-	38,770
Amounts converted to equity	18(a)	-	8,000,000
Amounts repaid to related parties	(i)	-	375,719
End of the period		**-**	**-**

(i) Founder's loan
Until August 2015, the business was funded primarily by loans from the Founder. In August 2015, $8 million of these loans were converted to equity at $0.40 per share (with the remaining portion repaid from the proceeds of a private placement), being $375,719.

(g) 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	2017 $	2016 $
Statement of Financial Position			
Current assets		16,633,274	9,905,439
Non-current assets		69,229,655	36,205,786
Total assets		**85,862,929**	**46,111,225**
Current liabilities		232,985	518,372
Total liabilities		**232,985**	**518,372**
Net assets		**85,629,944**	**45,592,853**
Shareholders' equity			
Issued capital		80,135,541	50,109,608
Reserves		12,520,022	133,973
Accumulated losses		(7,025,619)	(4,650,728)
Shareholders' equity		**85,629,944**	**45,592,853**
Loss for the period		**(2,374,892)**	**(4,650,728)**
Total comprehensive loss		**(2,374,892)**	**(4,650,728)**

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017 (2016: nil).

(c) Contractual commitments

The parent did not have any contractual commitments at 30 June 2017 (2016: 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 period 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	2017 $	2016 $
Amounts received or due and receivable by:			
Deloitte Touche Tohmatsu Australia (auditor of the parent entity):			
Audits and review of the financial reports of the entity and any other entity in the consolidated group		139,500	105,000
Other services in relation to the entity and any other entity in the consolidated group:		-	-
Advisory services	(a)	-	55,847
Total remuneration of Deloitte Touche Tohmatsu Australia		**139,500**	**160,847**
Other Deloitte network firms:			
Audit and review of the financial reports of the entity and any other entity in the consolidated group		19,998	19,220
Total remuneration of Deloitte network firms		**19,998**	**19,220**

(a) The advisory work completed was for services rendered in connection with the Initial Public Offering, including issuing the Investigating Accountant's Report on Pro-Forma Financial Information and Financial Services Guide included in the Prospectus.

DIRECTOR'S DECLARATION

In the Directors' opinion:

(a) The financial statements and notes set out on pages 39 to 99 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 2017 and of its performance for the year ended on that date, and

(b). At the date of this declaration, there are reasonable grounds to believe that Megaport Limited 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,

V. English

Vincent English
Executive Director and Chief Executive Officer
Brisbane

24 August 2017

Deloitte.

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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 2017, the consolidated statement of 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 2017 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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Impairment of cash generating units *Refer to Note 2(h) – Impairment of assets, Note 13 – Intangible assets and Note 14 – Impairment of goodwill.* An impairment assessment has been undertaken as at 30 June 2017 for all cash generating units with indefinite life intangible assets and those for which indicators of impairment have been identified. At year end the group had goodwill of $1.45m relating to the acquisitions of OMNIX EAD and Peering GmBH. 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"). There are a number of key judgements made in determining the inputs into these models including: • Identification of Cash Generating Units, • Future cash flows for the CGU's, • Discount Rates, and • Future and Terminal value growth rates.	In conjunction with our valuation experts our procedures included, but were not limited to: • 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. We also assessed the appropriateness of the related disclosures in Note 14 to the financial statements.
Accounting for acquisitions *Refer to note 27 – Business combinations* The Group acquired all the equity of PEERING GmbH on 11 August 2016 giving rise to goodwill of $1.20m. Acquisition date consideration included a component of contingent consideration of $0.95m. Management have used an expert to assist with the identification and valuation of intangible assets relating to software, brand name, network rights, customer contracts and relationships and goodwill using valuation methodologies. These methodologies require the use of a number of inputs and significant judgements and estimation relating to the: • Identification of acquired intangible assets, • Valuation of intangible assets including future cash flows, discount	In conjunction with our valuation experts our procedures included, but were not limited to: • Evaluating management's assessment of the transaction, including the identification and valuation of acquired intangibles assets, • Assessing the appropriateness of the valuation methodologies adopted by management's expert in estimating the value of the intangibles identified, • Assessing the independence, competency and objectivity of management's expert, • Analysing the future projected cash flows used in the models relevant to each intangible asset to determine whether they are reasonable and supportable given the nature and expected future performance of each intangible asset, • Assessing the fair value attributed to the equity consideration transferred in settlement of the transaction, and

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
rates, and future growth rates, • Estimation of the fair value of net assets acquired, • Estimation of the fair value of equity consideration transferred.	• Assessing the key assumptions and methodology used by management in valuing the identifiable intangible assets relating to the period of future benefit, churn rates and discount rates applied to discount the future cash flows. We also assessed the appropriateness of the related disclosures in Note 27 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2017, 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.

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 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 18 to 29 of the Directors' Report for the year ended 30 June 2017.

Deloitte.

In our opinion, the Remuneration Report of Megaport Limited, for the year ended 30 June 2017, 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, 24 August 2017

SHAREHOLDER INFORMATION

The shareholder information setout below was applicable at 9 August 2017.

(a) Ordinary share capital

101,470,243 fully paid ordinary shares are held by 4,499 individual shareholders.
All issued ordinary shares carry one vote per share.

Of the total fully paid ordinary shares, 33,330,000 are held in escrow by 5 individual shareholders.
1,000,000 are subject to voluntary escrow, and the remainder are restricted.

The escrow period ends for all of the 33,330,000 shares on 17 December 2017.
After this date, 2,500,000 of the shares enter voluntary escrow until 16 December 2018.

(b) Options

3,414,330 options are held by 45 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:

	Number of investors	
Holding	**Fully paid ordinary shares**	**Options**
1 – 1,000	438	-
1,001 – 5,000	1,701	12
5,001 – 10,000	1,277	7
10,001 – 100,000	1,030	16
100,001 and over	53	10
Total	**4,499**	**45**

The number of shareholders holding less than the marketable parcel of fully paid ordinary shares is 134.

(d) Substantial shareholders
Substantial shareholders of 5% or more of the fully paid ordinary shares in the Company as at 9 August 2017 are set out as follows:

Name	Number held	Percentage of issued shares
Ordinary shares		
Mr Bevan Andrew Slattery	33,004,274	32.53%

(e) Equity security holders

Twenty largest quoted equity security holders

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

	Fully paid ordinary shares	
Name	**Number held**	**Percentage of issued shares**
Mr Bevan Andrew Slattery	33,004,724	32.53%
Digital MP LLC	4,972,042	4.90%
Mr Michael Denver Maddux	4,000,000	3,94%
J P Morgan Nominees Australia	3,522,289	3.47%
Colinton Capital Pty Limited	1,472,274	1.44%
Intercontinental Pty Limited	1,399,274	1.38%
National Nominees Limited	1,055,460	1.04%
Ms Brynn Maddux	1,000,000	0.99%
Ms Belinda Lajoie	1,000,000	0.99%
HSBC Custody Nominees	838,698	0.83%
Rocket Science Pty Ltd	727,737	0.72%
Citicorp Nominees Pty Limited	516,820	0.51%
Blue Stamp Company Pty Ltd	507,363	0.50%
Norfolk Enchants Pty Limited	500,000	0.49%
CS Fourth Nominees Pty Limited	490,227	0.48%
Tornado Fund LP	476,190	0.47%
RBC Investor Services	457,142	0.45%
Foligno Pty Limited	400,000	0.39%
CS Third Nominees Pty Limited	351,369	0.35%
Ohaka Investments Pty Ltd	335,000	0.33%
	57,026,159	**56.20%**

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	2,214,330	41

CORPORATE DIRECTORY

Directors	Bevan Slattery Vincent English Simon Moore Drew Kelton Peter Hase
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:** 9am **Date:** Thursday 23 November 2017
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 25 123 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

Megaport

Megaport is the world's leading Network as a Service (NaaS) provider. Using Software Defined Networking (SDN), the Company's global platform provide the most secure, seamless, and on-demand way for enterprises, networks, and services to interconnect. The Company's extensive footprint in Australia, Asia Pacific, North America, and Europe, provides a neutral platform that provides for over 700 customers, and spans 165 data centres across 41 cities.

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