



# APPENDIX 4E

# ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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ABN: 46 607 301 959

## 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 2019.

This Appendix 4E covers the reporting period from 1 July 2018 to 30 June 2019. The previous corresponding period is 1 July 2017 to 30 June 2018.

## Results for Announcement to the Market

### Summary of Financial Information

	1 July 2018 to 30 June 2019	1 July 2017 to 30 June 2018	Change \$	Change %
Revenue from ordinary activities	35,064,648	19,753,170	15,311,478	78%
Profit/(loss) from ordinary activities after tax attributable to members	(33,554,990)	(24,463,149)	(9,091,841)	(37%)
Net profit/(loss) for the period attributable to members	(33,554,990)	(24,463,149)	(9,091,841)	(37%)

### Dividends

No dividend has been proposed or declared for the year ended 30 June 2019.

### Commentary on the Results for the Period

Refer to Media Release – FY19 Full Year Results and Global Update – for the year ended 30 June 2019 and the Director's Report 'Review of Operations' section in the 30 June 2019 Annual Report for commentary on the results for the year and explanations to understand the Group's revenue and profit/(loss) from ordinary activities.

### Financial Statements

Refer to the Financial Report in 30 June 2019 Annual Report for the following statements and the accompanying notes, including the specific disclosures:

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

Each statement includes note references to disclosures prepared in accordance with Megaport's Statement of Compliance (refer to Note 1(b) in the Financial Report in 30 June 2019 Annual Report).

## Net Tangible Asset Backing

	30 June 2019 cents	30 June 2018 cents
Net tangible asset backing per ordinary share	74.02	60.21

The number of Megaport shares on issue at 30 June 2019 is 134,703,635 (2018: 117,803,182).

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

Name of Entity	Country of incorporation	Date control obtained	% of equity held by immediate parent
None			

## Details of Associates and Joint Ventures

There are no associates or joint ventures of the Company.

The information provided in the Appendix 4E is based on the 30 June 2019 Annual Report, which has been prepared in accordance with the Corporations Act 2001, and Australian Accounting Standards and Interpretations issued by the Australian Standards Board.

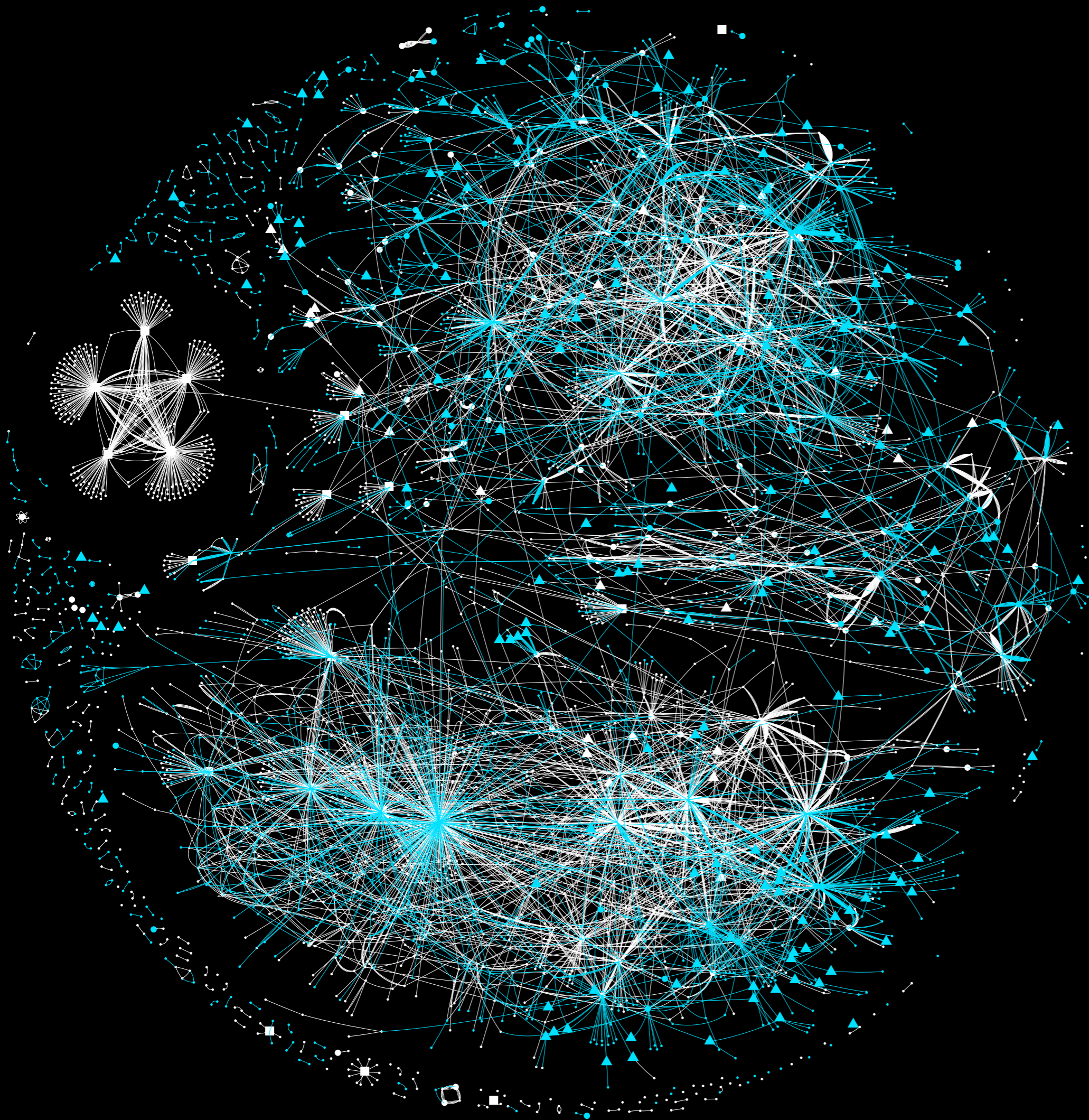
The 30 June 2019 Annual Report has been audited and is not subject to audit dispute or qualification.

# Annual Report



30 JUNE 2019 | ABN: 46 607 301 959





The Megaport Network 2019

- Service Provider Port
- Port
- △ Megaport Cloud Router
- Peering Exchange
- New FY19
- VXC / IX Connection

## COMPANY HIGHLIGHTS FY19



Monthly Recurring Revenue<sup>1</sup>

\$2.0M

30 JUNE 2018



\$3.6M

30 JUNE 2019



Annualised Revenue<sup>2</sup>

\$23.8M

30 JUNE 2018



\$43.3M

30 JUNE 2019



Total Number of Customers

1,038

30 JUNE 2018



1,490

30 JUNE 2019



Total Number of Services<sup>3</sup>

6,567

30 JUNE 2018



11,561

30 JUNE 2019



Total Number of Ports

2,755

30 JUNE 2018



4,069

30 JUNE 2019



Total Installed Data Centres<sup>4</sup>

221

30 JUNE 2018



300

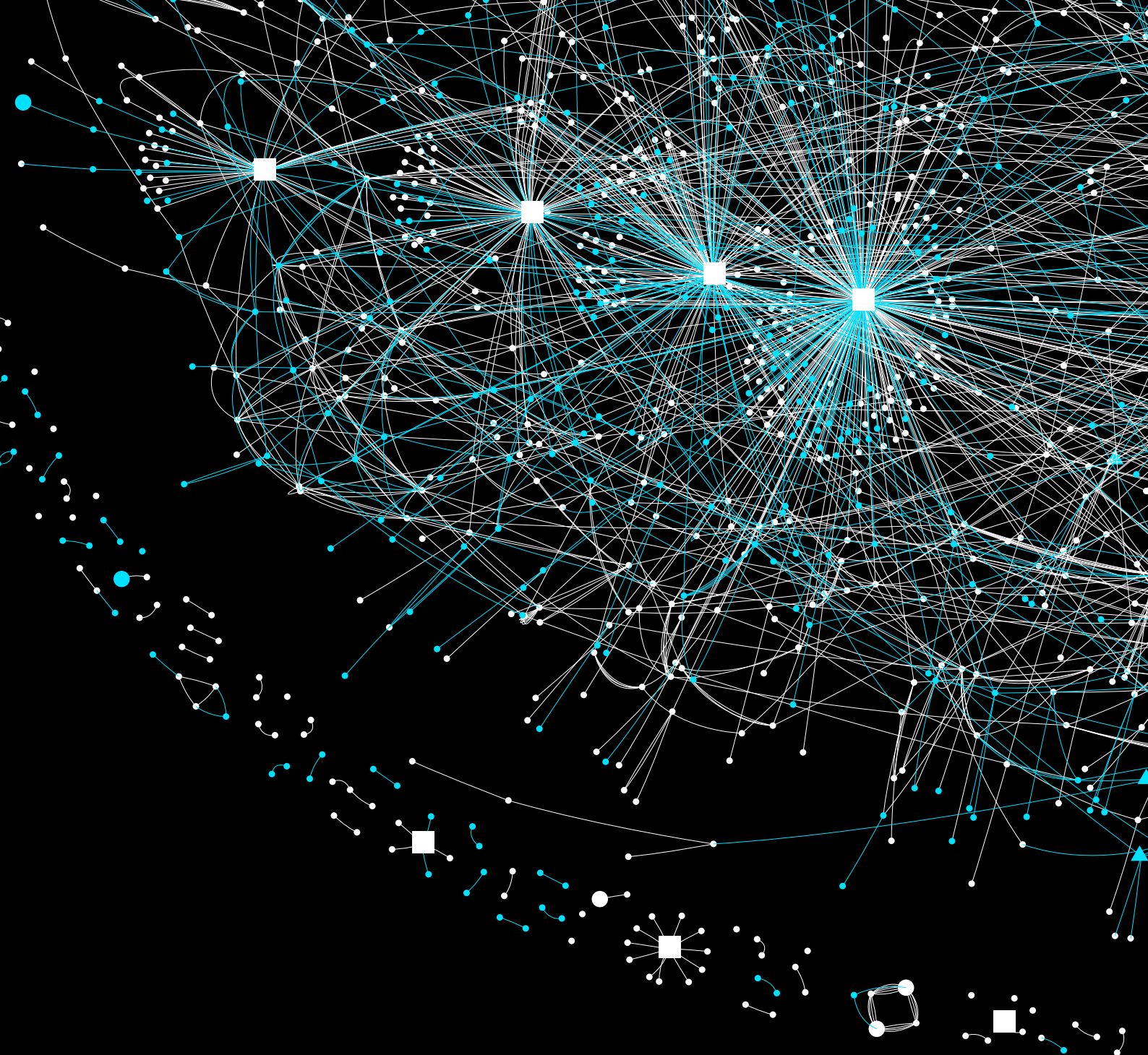
30 JUNE 2019

1. Monthly Recurring Revenue (MRR) is revenue (excluding one-off and non-recurring revenue) for the month of June.

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

3. Total Services comprises of Ports, Virtual Cross Connections (VXCs), Megaport Cloud Router (MCR), and Internet Exchange (IX)

4. Installed Data Centres are data centres in which Megaport has a Point of Presence with physical infrastructure. This definition is consistent with the data centre count reported previously.





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# CHAIRMAN'S LETTER

Dear Shareholders,

## I am honoured to present you with the Fiscal Year 2019 Chairman's Report for Megaport Limited.

With another record year behind us, Megaport has again continued to lead the world in elastic interconnection services.

From humble beginnings as a startup in 2012, the Megaport Software Defined Network now reaches almost 1,500 customers in over 500 data centres across 20 countries around the world and counts some of the world's largest companies not just as customers, but global partners; such is the strength of the platform we have created. This expansion will only continue.

As enterprises around the world continue to embrace the benefits of the cloud, we are finding they are now beginning to fully embrace connectivity solutions built for the cloud. Today, 62% of connections on the Megaport Platform are interconnecting businesses with leading Cloud Service Providers such as Amazon Web Services, Google Cloud, Microsoft Azure, and Oracle Cloud.

In May, we launched Megaport Cloud Router (MCR) 2.0 to help enterprises connect to multiple Cloud Service Providers (multicloud) seamlessly, and without the need for any infrastructure.

This solution is the first of what we expect to become a series of new network functions on the Megaport Platform – all designed to help the world interconnect.

This year, we welcomed Jay Adelson and Naomi Seddon to our Board of Directors. Jay Adelson is an industry luminary who brings a wealth of experience in interconnection, data centres, and networking and is now the founding Chairman of Megaport's newly formed Innovation Committee. Naomi Seddon has extensive experience in helping technology companies go global with particular emphasis on multi-jurisdiction legal, regulatory, and workplace relations. Both bring tremendous value and will provide Megaport with support and direction to accelerate our model.

Today, our Board represents an abundance of global business expertise across diverse technology sectors and positions us to continue making a strong impact on the development of the business and the advancement of interconnection services.



Today, 62% of connections on the Megaport Platform are interconnecting businesses with leading Cloud Service Providers such as Amazon Web Services, Google Cloud, Microsoft Azure, and Oracle Cloud.

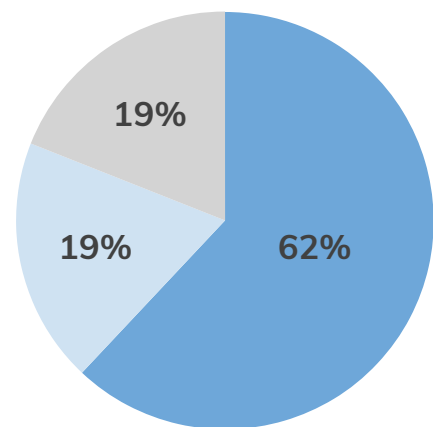
The entire Megaport team, led by CEO Vincent English, should be incredibly proud of the Company's achievements to date. I would like to thank them all for driving the success of Megaport throughout Fiscal Year 2019. I would also like to thank our many customers, partners, and you, our loyal shareholders, for supporting our vision.

I could not be more excited as I look forward to 2020 and beyond with the foundation we have built, and importantly, the vision and the opportunity we have. Megaport is a unique global company in the fastest growing industry in the world. I look forward to hopefully seeing you at our Annual General Meeting and to another successful fiscal year.

Sincerely,

**Bevan Slattery**  
Chairman  
21 August 2019

### Service Connection Types



- Direct Cloud Access
- Internet Exchange
- Private Connection

## COMPANY HIGHLIGHTS FY19



### Leading Cloud Partnerships

With addition of:

**NUTANIX**

**SAP**

**aws**

**Microsoft  
Azure**

**ORACLE  
Cloud**

**Google Cloud**

**IBM Cloud**

**salesforce**

**Alibaba Cloud**



### Cloud Onramps



**24**  
NEW

**132**  
TOTAL



### Cloud Regions



**11**  
NEW

**73**  
TOTAL



### Total Enabled Data Centres<sup>1</sup>



**528**  
ENABLED<sup>1</sup>



### Megaport Marketplace



**346**

Service providers on Megaport's  
self-service Marketplace

1. Enabled Data Centres represents Installed Data Centres plus data centres that can be connected directly to Megaport equipment within Installed Data Centres by means of a dark fibre campus cross connect, provided by the data centre campus/facility operator for a price that is the same or similar to a standard Installed Data Centre cross connect.

# LETTER FROM THE CEO

Dear Shareholders,

Today, it has never been easier for businesses to get connected to the critical IT services they need. But it was not always so simple.

Until recently, data networking did not keep pace with the innovation and transformation taking place within the cloud industry. The process for acquiring connectivity was still driven by slow-moving telecommunications companies that required fixed terms and long intervals to deliver capacity. There was a gap in the market for fast, simple, and flexible connectivity. Megaport seized this opportunity, launching the first-of-its-kind elastic interconnection fabric in 2015. We have enabled the same level of agility and ease of use experienced by cloud-enabled as-a-service models for data networking and interconnection.

Since then, Megaport has moved rapidly to bring our transformational model to the market in order to change the way businesses get connected. Agility and execution have been paramount to pioneering this change. The results and initiatives achieved in Fiscal Year 2019 are a testament to the Megaport team's continued rapid and dedicated approach to executing on the company's goals.

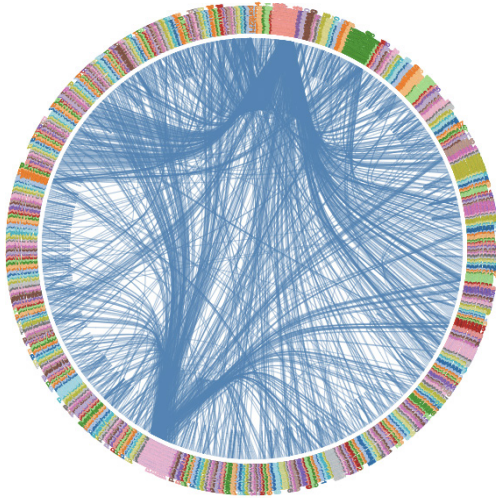
Megaport's overall revenue increased by 78% to \$35.1 million in Fiscal Year 2019. This is the result of rapidly scaling our commercial organisation and leveraging our key partnerships with Data Centre Operators, Cloud Service Providers, and Managed Service Providers.

During this phase of expansion and growth, we have also significantly expanded our Network footprint, connecting these service providers to customers in key metros. This year, we reached the outstanding milestone of 528 enabled data centres, including 300 installed data centres, globally. A more extensive network means more opportunity for enterprises and service providers to interconnect globally as they gain the reach and choice of a ubiquitous connectivity platform.

With this ongoing momentum, Megaport unlocked new markets this year, building out a greater presence across Europe, in particular, where cloud adoption is accelerating. France, Poland, Belgium, Austria, Finland, and Switzerland are now Megaport-connected countries. The team's execution on extending networking services to underserved markets, as well as providing choice and flexibility to major business hubs, translates to greater value for our customers and more opportunities for future growth and delivery.

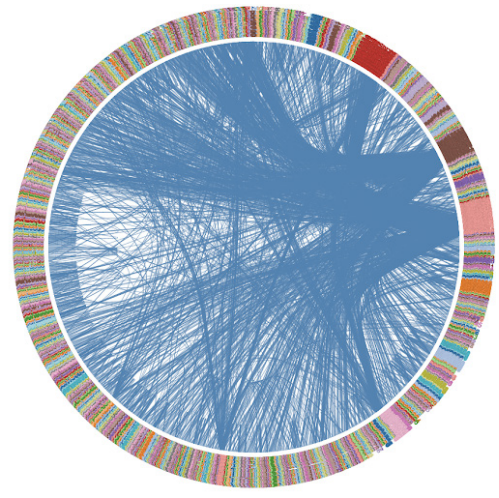
Our North America business accelerated this year, increasing revenue by 154% to \$13.6 million from \$5.4 million the previous year. As the cloud market continues to mature in the US, Megaport is capturing the enterprise demand for deploying cloud services rapidly and with the simplicity and scalability needed to gain a competitive edge.

## The Network Effect



FY18

 Ports —  Services



FY19

Enterprises across various verticals including Finance, Media, Retail, Health, and Energy need an easy, fast networking solution to get connected to their digital supply chains. Megaport enables connectivity that supports seamless interoperability between enterprises and the services that power their businesses. The Megaport Ecosystem continues to grow with the addition of leading service providers that are supporting vertical solutions. In Fiscal Year 2019, we added the New York Stock Exchange's (NYSE) Intercontinental Exchange (ICE) onto the Network, a company that underpins the financial services vertical and showcases the need for dedicated connectivity in this sector.

Innovation is central to our business. As a service provider, we continue to push the possibilities of interconnection to deliver solutions to meet the demand of our customers and transform the cloud networking market. Megaport Cloud Router (MCR) was born out of this ambition. Launched in January 2018, our virtual routing product pioneered a new generation of networking services enabling customers with the ability to connect to and between cloud platforms on demand without owning or managing physical hardware. This helps to remove the complexities surrounding multicloud which is becoming the standard deployment approach.

This fiscal year, we unlocked new capabilities for MCR, further developing the product to make virtual networking even easier and more efficient for the enterprise. MCR continues to drive more services and usage on the Network, unlocking more scope for business growth and revenue. Customers with MCR consume, on average, 60% more services.

In March 2019, Megaport undertook a capital raising of \$60M to accelerate expansion to new locations and new markets, support capacity upgrades, and fund innovation and internal development of new technology. The company will continue to invest in product innovation designed to drive more value for our customers and partners alike.

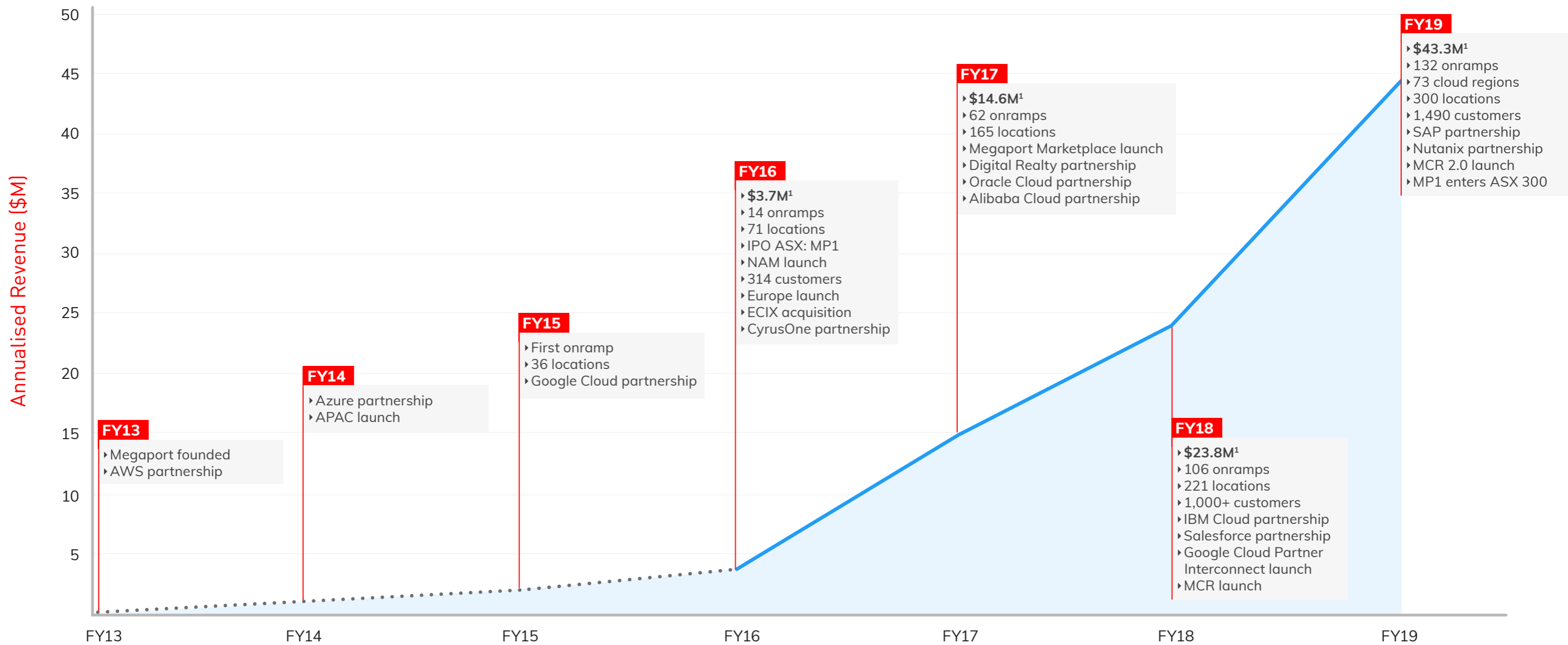
I would like to thank the entire team for Megaport's hugely successful year. Without each team member driving our customer solutions, and executing on the wider global strategy with passion and enthusiasm, Megaport could not report the massive achievements we have had so far. On behalf of the team, I sincerely thank you for your investment in Megaport.

Sincerely,

**Vincent English**

CEO – Megaport Limited  
21 August 2019

# COMPANY MILESTONES



1. Annualised Revenue at year end, which is MRR for the month of June multiplied by 12

# DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Megaport Limited (referred to as 'the Company' or 'Megaport') and the entities it controlled (referred to as 'the Group' or 'the consolidated entity') at the end of, or during the year ended, 30 June 2019.

## Directors and Company Secretary

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

- Bevan Slattery
- Vincent English
- Drew Kelton (Resigned 1 June 2019)
- Simon Moore
- Peter Hase (Resigned 10 May 2019)
- Jay Adelson (Appointed 1 March 2019)
- Naomi Seddon (Appointed 1 June 2019)

The Company Secretary is Celia Pheasant.

## Principal activities

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

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

## Dividends

Dividends were neither paid nor declared during the year.

## Review of operations

### Group overview

Megaport's vision is to revolutionise global connectivity. The Group's mission is to be the global leading Network as a Service (NaaS) provider.

Megaport's platform uses Software Defined Networking to enable customers to connect to over 300 leading service providers in a flexible, on-demand, and cost-effective way. The first of its kind and the leader in the market, the Group's Network has changed the way enterprise customers consume connectivity services by creating a model that is more intuitive and customer-centric than the offerings from traditional telecommunications companies.

In order to align its services closely with cloud compute and storage consumption models, the Group provides a self-serve environment for interconnection. Megaport enables customers to rapidly and flexibly connect to its partner data centres, network service providers, and managed service providers, collectively known as the Ecosystem.

Customers connect to the Ecosystem by acquiring 'Megaports' (Ports) and building Virtual Cross Connects (VXCs) to their chosen destinations across the Megaport Network. Connectivity services can be directly controlled by customers via mobile application, Megaport's portal, and its open Application Programming Interface (API).

Megaport Cloud Router (MCR), launched in January 2018, enables customers to instantly provision and control virtual routers through Megaport's web-based portal. Enterprises and service providers can unlock powerful use cases such as cloud-to-cloud networking and deploy Virtual Points of Presence (VPOPs) without the need to purchase or maintain physical routing equipment. MCR enables customers to rapidly deploy services, granularly control traffic, and reduce total cost of ownership. During the year, Megaport released new features to Megaport Cloud Router (MCR 2.0) and expanded MCR service availability to more locations to drive further adoption of cloud connectivity services.

Megaport is an Alibaba Cloud Technology Partner, AWS Technology Partner, AWS Networking Competency Partner, Google Cloud Interconnect Partner, IBM Direct Link Cloud Exchange provider, Microsoft Azure ExpressRoute Partner, Nutanix Direct Connect Partner, Oracle Cloud Partner, Salesforce Express Connect Partner, and a member of the SAP PartnerEdge open ecosystem.

The Group's extensive footprint across North America, Asia Pacific, and Europe offers customers a neutral platform that spans its 528 Enabled Data Centres<sup>1</sup> in key global locations.

## Key performance metrics

	Half-Yearly Performance				Yearly Performance		
	Dec-17	Jun-18	Dec-18	Jun-19	FY18	FY19	YoY % Change
Enabled Data Centres <sup>2</sup>	*	*	386	<b>528</b>	*	<b>528</b>	*
Installed Data Centres <sup>3</sup>	185	221	245	<b>300</b>	221	<b>300</b>	<b>36%</b>
Cloud On-Ramps	102	108	115	<b>132</b>	108	<b>132</b>	<b>22%</b>
Customers	860	1,038	1,277	<b>1,490</b>	1,038	<b>1,490</b>	<b>44%</b>
Ports	2,259	2,755	3,344	<b>4,069</b>	2,755	<b>4,069</b>	<b>48%</b>
MCR	-	42	99	<b>175</b>	42	<b>175</b>	<b>317%</b>
Total Services <sup>4</sup>	5,041	6,567	8,735	<b>11,561</b>	6,567	<b>11,561</b>	<b>76%</b>
Monthly Recurring Revenue ("MRR")	\$1.6M	\$2.0M	\$2.7M	<b>\$3.6M</b>	\$2.0M	<b>\$3.6M</b>	<b>82%</b>
Revenue	\$8.83M	\$10.92M	\$15.18M	<b>\$19.88M</b>	\$19.75M	<b>\$35.06M</b>	<b>78%</b>

In June 2019, Megaport reached 1,490 customers across 528 Enabled Data Centres in 98 cities and generated MRR of \$3.6M. Of these data centres, 81 were located in Asia Pacific; 304 in North America, and 143 in Europe.

The total Ports on the Group's Network at 30 June 2019 was 4,069, up 48% compared to a year earlier.

<sup>1</sup> Enabled Data Centres represents Installed Data Centres plus data centres that can be connected directly to Megaport equipment within Installed Data Centres by means of a dark fibre campus cross connect, provided by the data centre campus/facility operator for a price that is the same or similar to a standard Installed Data Centre cross connect.

<sup>2</sup> Megaport did not historically count Enabled Data Centres before December 2018

<sup>3</sup> Installed Data Centres are data centres in which Megaport has a Point of Presence with physical infrastructure. This definition is consistent with the data centre count reported previously.

<sup>4</sup> Total Services comprises of Ports, Virtual Cross Connections (VXCs), Megaport Cloud Router (MCR), and Internet Exchange (IX)

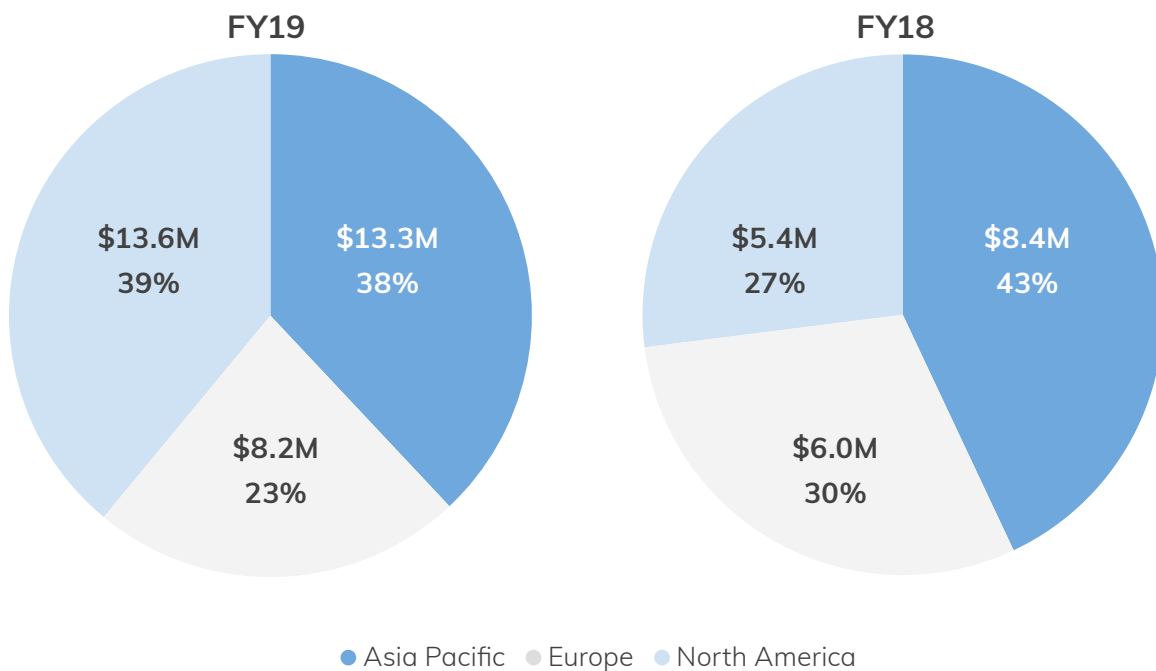


## Financial performance

	2019 \$'000	2018 \$'000	Change
Revenue	35,065	19,753	78%
Profit after direct network costs <sup>5</sup>	11,948	4,489	166%
Normalised EBITDA <sup>6</sup>	(24,695)	(22,144)	(12%)
Net loss for the year	(33,564)	(24,463)	(37%)

During the year, Megaport experienced a significant growth in the number of Installed Data Centres, customers, Ports, Services, and MRR. The Group's revenue for the year was \$35.1 million, up 78% compared to the corresponding previous year of \$19.8 million. This increase was driven by North America which grew by 154% compared to the previous year, followed by Asia Pacific which grew by 59%, and Europe by 36%.

Reported revenue by operating segment for the year ended 30 June 2019 ("FY19") and 30 June 2018 ("FY18") is set out below:



Group profit after direct network costs was \$11.9 million, up 166% compared to the corresponding previous year of \$4.5 million. The operating segments generated a profit after direct network costs for the year.

<sup>5</sup> Direct network costs comprise data centre power and space costs, physical cross connect fees, bandwidth and dark fibre, network operation and maintenance fees, and channel commissions, which are directly related to generating the service revenue of Megaport Group

<sup>6</sup> Normalised Earnings Before Interest Tax Depreciation and Amortisation (Normalised EBITDA) represents operating results excluding equity-settled employee costs, foreign exchange gains and non-operating expenses. Including these amounts, EBITDA would be (\$25,406,000) in FY19 and (\$20,662,000) in FY18. Refer note 3 in the financial statements for the reconciliation from Normalised EBITDA to the net loss for the year

During the year:

- Megaport continued to expand its Network footprint to new cities while deepening its reach within existing metros, reaching a milestone of 300 installed locations and 528 enabled locations globally;
- The Company furthered its leadership position in cloud networking by enabling twenty three new cloud onramps globally;
- The Company entered into new partnerships with data centre operators including DataBank, DataMSP, Cavern Technologies, HGC Global Communications, NTT Malaysia, STT GDC, 365 Data Centers, Bluebird Network, Evoque, Digiplex, Ficolo, and Telia and expanded its partnership with EdgeConnex. Megaport's partnership with Orixcom has extended the reach of Megaport services into Dubai where leading cloud service providers are investing in infrastructure to support regional demand;
- Megaport bolstered its Ecosystem of cloud providers with new partnerships with Nutanix and SAP;
- The Company made significant investments in sales and marketing resources, particularly in North America, where the Company is focused on driving increased service adoption; and
- Megaport released new features to Megaport Cloud Router (MCR 2.0) and expanded MCR service availability to more locations to drive further adoption of cloud connectivity services.

The Group's net loss for the year amounted to \$33.6 million (2018: \$24.5 million).

## Financial position

	2019 \$'000	2018 \$'000
Net assets	<b>110,590</b>	80,204
Closing cash and bank balances	<b>74,879</b>	56,270

Megaport continues to maintain a strong financial position with net current assets of \$70.9 million (2018: \$49.7 million) and cash of \$74.9 million (2018: \$56.3 million) and total equity of \$110.6 million (2018: \$80.2 million).

## Strategy and future performance

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

- Connect to new locations, partners, and enterprises;
- Accelerate partner enablement to maximise sales opportunities; and
- Strengthen its position as the leading global innovator in Network as a Service.

## Business Risks

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

- **Dependence on key 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 platforms. The Group requires sufficient access to capital to fund this expenditure. Failure to obtain capital on favourable terms may hinder the Group's ability to expand and pursue growth opportunities, which may reduce competitiveness and have an adverse effect on the financial performance, position, and growth prospects of the Group. There is no assurance that additional funds will be available in the future, and/or be secured on reasonable commercial terms.
- **Interruptions to operations, infrastructure, and technology failure:** The Group could be exposed to short, medium or long-term interruptions to its operations as it relies on infrastructure and technology to provide its services.
- **Competitive landscape and action of others:** The Group currently enjoys early mover advantage in its deployed markets. However, the Group may face competition from new entrants to the Network as a Service and elastic fabric markets who may have significant advantages including greater financial, marketing, and other resources.
- **Exchange rate movement:** The Group operates in foreign jurisdictions and as a result, fluctuations in applicable exchange rates, particularly the A\$/US\$ and A\$/EUR rate, may have an impact on the Group's financial position and performance.
- **Protection of intellectual property:** The Group's ability to leverage the value of Network as a Service and SDN technology depends on its ability to secure ownership of and protect its intellectual property including any improvements to existing intellectual property.
- **Doing business outside of Australia:** The Group currently has operations in Australia, Singapore, Hong Kong, New Zealand, Japan, Europe, USA, and Canada. Accordingly, the Group is exposed to a range of multi-jurisdictional risks such as risks relating to labour practices, environmental matters, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regime (including in relation to taxation and foreign investment and practices of government and regulatory authorities), and other issues in foreign jurisdictions in which the Group operates.

## Significant changes in the state of affairs

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

Issued capital (net of share issue costs) increased by \$62.7 million during the year.

On 13 March 2019, Megaport announced it would raise \$50 million in new equity via a fully underwritten placement to institutional, experienced, sophisticated, and professional investors ('Placement') and up to a further \$10 million via a Share Purchase Plan ('SPP'). The issue price of \$4.00 per share represented a discount of 4.8% based on the last trading price on 12 March 2019. Morgans Corporate Limited and Royal Bank of Canada acted as Joint Lead Managers and Underwriters to the Placement. Megaport issued 12.5 million shares under the Placement on 20 March 2019 and issued 2.5 million shares under the SPP on 3 May 2019 to raise a total of \$60 million.

The proceeds will be used to accelerate expansion to new locations and new markets, undertake capacity upgrades, fund innovation and internal development of new technology, and fund operating costs and general working capital requirements.

Megaport also issued 5,805,000 options granted under the Megaport Employee Share Option Plan (ESOP General), which will become exercisable up to July 2022 (refer note 21 to the financial statements).

## Events since the end of the financial year

No matter or circumstance has arisen since 30 June 2019 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 2019 financial year saw strong uptake in Megaport services, with the total number of services connected at 30 June 2019 reaching 11,561, up 76% compared with 12 months earlier. This was driven by demand for cloud and interconnection services, a trend that is expected to see continued demand for services provided by the Group.

## Environmental regulation

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

## Rounding off of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/ Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Corporations Instrument, amounts in the Directors' Report and the Financial Report are rounded off to the nearest thousand dollars (\$'000), unless otherwise indicated.

## Information on Directors and Company Secretary

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

### Bevan Slattery

Chairman

Non-Executive Director (since 1 September 2018)

Executive Director (until 31 August 2018)



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

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

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

In 2010 he founded NEXTDC Limited, with a vision to become Australia's largest independent data center 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	Superloop Limited (ASX:SLC) (director since 2014)
Former ASX directorships In last 3 years	None
Special responsibilities	Chairman Member of the Remuneration & Nomination Committee (resigned 1 March 2019) Member of the Innovation Committee (appointed 1 March 2019)
Interests in shares and options	18,037,607 fully paid ordinary shares (held directly) and 292,678 fully paid ordinary shares (held indirectly)

## Vincent English

### Chief Executive Officer & Executive Director



Vincent English is the Chief Executive Officer of Megaport and is also an Executive Director. Vincent joined Megaport in June 2015, in the early growth phase and has held multiple roles as Chief Financial Officer, Chief Operating Officer and currently Chief Executive Officer.

Vincent has a background in telecommunications and manufacturing industries with over 20 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 a member of ACMA, CPA Australia, and the Australian Institute of Company Directors.

<b>Other current ASX directorships</b>	None
<b>Former ASX directorships In last 3 years</b>	None
<b>Special responsibilities</b>	Member of the Innovation Committee (appointed 1 March 2019)
<b>Interests in shares and options</b>	94,149 fully paid ordinary shares (held directly) and 43,540 fully paid ordinary shares (held indirectly) 2,533,333 options over ordinary shares (held directly)

**Drew Kelton****Non-Executive Director (Resigned 1 June 2019)**

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

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

**Other current ASX directorships**

Firstwave Cloud Technology Limited (ASX:FCT) (appointed 8 March 2016)

**Former ASX directorships in last 3 years**

Impelus Limited (ASX:IMS, formerly Mobile Embrace Limited) (resigned 30 June 2018)

Enice Holding Company Limited (ASX:ENC) (resigned 22 August 2017)

**Special responsibilities**

Chair of the Remuneration & Nomination Committee (resigned 1 June 2019)

Member of the Audit & Risk Committee (resigned 1 June 2019)

**Interests in shares and options**

5,000 fully paid ordinary shares (held indirectly)

**Simon Moore**  
**Non-Executive Director**



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

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

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

**Other current ASX directorships**

Palla Pharma Limited (ASX:PAL, formerly TPI Enterprises Limited) (appointed 1 June 2016)  
 FirstWave Cloud Technologies Limited (ASX:FCT) (appointed 1 March 2017)  
 AMA Group Limited (ASX:AMA.AX) (appointed 28 November 2018)

**Former ASX directorships in last 3 years**

Qube Holdings Limited (ASX: QUB) (resigned 1 September 2016)

**Special responsibilities**

Lead Independent Director (appointed 12 February 2019)  
 Chair of the Audit & Risk Committee  
 Member of the Remuneration & Nomination Committee

**Interests in shares and options**

100,000 fully paid ordinary shares (held directly)  
 1,022,274 fully paid ordinary shares (held indirectly)



## Peter Hase

### Non-Executive Director (Resigned on 10 May 2019)



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

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

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

Peter has directorships in UK advisory businesses, such as Phase Advisory Ltd and Soleberry Advisory Ltd.

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

Peter was appointed Chief Commercial Officer of Megaport on 12 February 2019.

Other current ASX directorships	None
Former ASX directorships in last 3 years	None
Special responsibilities	Member of the Audit & Risk Committee (resigned 10 May 2019)
Interests in shares and options	1,168 shares (held directly) 100,000 options (held directly)

## Jay Adelson

**Non-Executive Director (Appointed 1 March 2019)**



Jay Adelson has over 25 years of experience in technology and internet businesses globally. Jay co-founded Equinix (NASDAQ:EQIX) in 1998, and was responsible for the original and sustaining business model that grew it into one of the largest data centre companies in the world.

Jay also was instrumental in the establishment and operation of the original Palo Alto Internet Exchange for Digital Equipment Corporation in 1996.

In 2005, he founded the first internet television network, Revision3, which was acquired by Discovery Communications in 2012.

As CEO of Digg, Jay launched and grew the internet media company to tens of millions of users, and billions of impressions, a month.

Jay has also founded and served as CEO for other successful companies across the technology and internet infrastructure spaces.

**Other current ASX directorships**

None

**Former ASX directorships In last 3 years**

None

**Special responsibilities**

Member of the Audit & Risk Committee (appointed 1 March 2019)  
 Member of the Remuneration & Nomination Committee (appointed 1 March 2019)  
 Chair of the Innovation Committee (appointed 1 March 2019)

**Interests in shares and options**

None

## Naomi Seddon

### Non-Executive Director (Appointed 1 June 2019)



Naomi Seddon is an Australian, US and NZ qualified lawyer and is a partner with the global law firm, Littler Mendelson.

With a focus on providing international legal solutions to companies that are looking at market entry, Naomi has extensive experience assisting companies to enter and grow in new markets including advising on global migration, local employment, data protection and privacy, pay equity and equal employment opportunity issues.

In 2016 Naomi was named one of the top 500 attorneys in the United States for legal advice by Legal 500.

Naomi is also a regular presenter at conferences around the world on issues that impact women in the workplace and is frequently called upon to assist companies to implement innovative programs in this space. In addition to her professional legal work, Naomi is a passionate advocate for international surrogacy rights and was recently appointed to the advisory board of Surrogacy Australia. She is also on the advisory boards of the Australian Theatre Company and Global Village.

#### Other current ASX directorships

None

#### Former ASX directorships In last 3 years

None

#### Special responsibilities

Member of the Audit & Risk Committee (appointed 1 June 2019)  
Chair of the Remuneration & Nomination Committee (appointed 1 June 2019)

#### Interests in shares and options

None

## Celia Pheasant Company Secretary



Celia Pheasant is an experienced in-house information and communications technology (ICT) lawyer with more than 20 years' legal experience. 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 year ended 30 June 2019, and the numbers of meetings attended by each director were:

	Directors' meeting		Meetings of Committees					
			Audit & Risk		Remuneration & Nomination		Innovation	
	A	B	A	B	A	B	A	B
Bevan Slattery <sup>^</sup>	13	13	*	*	1	2	1	1
Vincent English	13	13	*	*	*	*	1	1
Drew Kelton (Resigned 1 June 2019)	9	12	2	3	3	3	*	*
Simon Moore	12	13	4	4	3	4	*	*
Peter Hase <sup>~</sup> (Resigned 10 May 2019)	12	12	3	3	*	*	*	*
Jay Adelson (Appointed 1 March 2019)	5	5	1	1	2	2	1	1
Naomi Seddon (Appointed 1 June 2019)	1	1	1	1	1	1	*	*

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

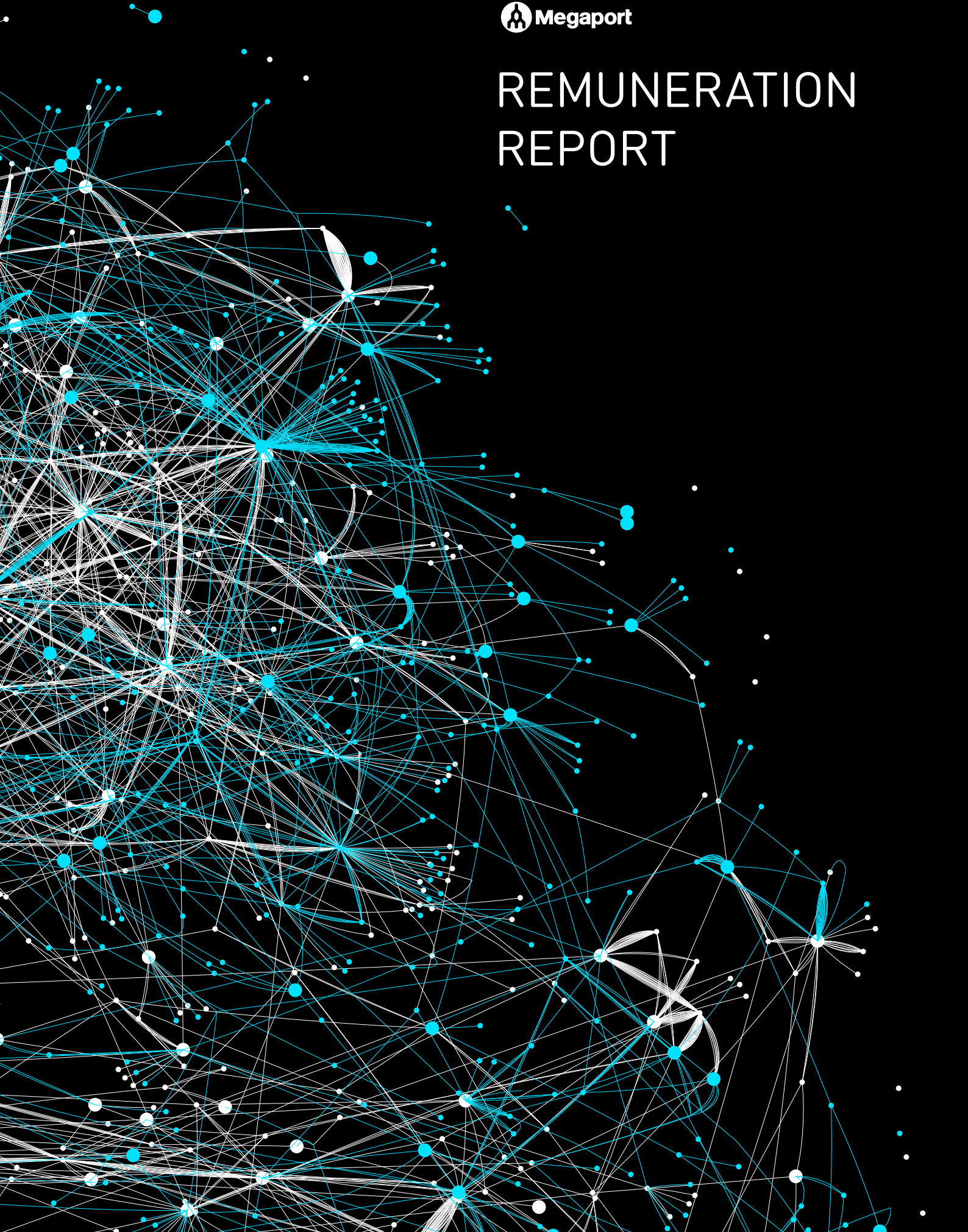
\* = Not a member of the relevant committee

<sup>^</sup> = Executive Director until 31 August 2018 and Non-Executive Director from 1 September 2018. Resigned from Remuneration & Nomination committee on 1 March 2019

<sup>~</sup> = Resigned from Audit & Risk committee on 12 February 2019



# REMUNERATION REPORT



# Remuneration Report

This Remuneration Report, which forms part of the Directors Report, sets out information about the remuneration of Megaport Limited's key management personnel for the financial year ended 30 June 2019 and is prepared in accordance with section 300A of the *Corporations Act 2001* (Corporations Act).

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

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

## Key management personnel ("KMP")

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

### Non-Executive and Executive Directors<sup>7</sup>

Name	Position
Bevan Slattery	Chairman (Executive Director until 31 August 2018 and Non-Executive Director from 1 September 2018)
Vincent English	Executive Director and Chief Executive Officer
Drew Kelton	Non-Executive Director (Resigned 1 June 2019)
Simon Moore	Non-Executive Director
Peter Hase	Non-Executive Director (Resigned 10 May 2019)
Jay Adelson	Non-Executive Director (Appointed 1 March 2019)
Naomi Seddon	Non-Executive Director (Appointed 1 June 2019)

### Other key management personnel

Name	Position
Steve Loxton	Chief Financial Officer ('CFO')
Belle Lajoie	Chief Commercial Officer ('CCO') (Employment ceased 28 April 2019)
Peter Hase	Chief Commercial Officer (Appointed 12 February 2019)

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.

<sup>7</sup> See the section "Information on directors and company secretary" for details about each director

## Overview of Remuneration Governance Framework

### Role of the Remuneration and Nomination Committee

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:

- developing suitable criteria (about experience, expertise, skills, qualifications, contacts or other qualities) for Board candidates;
- identifying suitable candidates for appointment to the Board or any management position;
- reviewing processes for succession planning for the Board, CEO and other senior executives;
- recommending to the Chair procedures for the proper supervision of the Board and senior management;
- ensuring appropriate induction and continuing professional development programs are implemented for Directors;
- ensuring that the performance of each Director, and of senior management, is reviewed and assessed each year in accordance with procedures adopted by the Board;
- ensuring that any diversity profile identified by the Board is a factor that is taken into account in the selection and appointment of qualified employees, senior management and Board candidates;
- reporting to the Board annually on the diversity profile of employees of the Company;
- regularly formally assessing the appropriate balance of skills, experience and diversity required on the Board and the extent to which they are represented on the Board;
- reviewing and evaluating of market practices and trends on remuneration matters relevant to the Company;
- reviewing and making recommendations to the Board about the Company's remuneration policies and procedures;
- overseeing the performance of senior management and non-executive Directors;
- reviewing and making recommendations to the Board about remuneration of senior management and non-executive Directors;
- reviewing the Company's reporting and disclosure practices in relation to the remuneration of Directors and senior executives; and
- reviewing and making recommendations to the Board on remuneration by gender (and other diversity benchmarks) and assessing whether there is any gender or other inappropriate bias in remuneration for Directors, senior management or other employees.

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

A copy of the Committee's charter, which forms part of the Corporate Governance Charter, is available on Megaport's website at [megaport.com/investor/#Corporate-Governance](http://megaport.com/investor/#Corporate-Governance). The Committee's charter has been updated to incorporate the Corporate Governance Principles and Recommendations (Fourth Edition) published by the ASX Corporate Governance Council.

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

### Securities Trading Policy

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

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

## Director remuneration

### Non-Executive Director remuneration policy

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

Each Director is entitled to remuneration for their services as decided by the Directors. Under the ASX Listing Rules, the total amount provided to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by Megaport which was approved by shareholders at the 2016 AGM. This amount is currently \$1,000,000. Actual fees paid to Non-Executive Directors for the financial year 2019 totaled \$291,823 (2018: \$262,244).

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 board committees, see table below. Actual amounts received by Non-Executive Directors are provided later in this report.

	2019 \$	2018 \$
<b>Base fees</b>		
Chairman	80,000	75,000
Other non-executive directors	80,000	60,000
<b>Additional fees</b>		
Audit & Risk Committee ("ARC") – Chair	10,000	7,500
Remuneration & Nomination Committee ("NRC") – Chair	10,000	7,500
Innovation Committee ("IC") – Chair	60,000	-

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



## Executive remuneration

### Senior executive remuneration policy

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

- fixed remuneration;
- short term incentives; and
- 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 executive's contract. Executives may receive benefits, including health insurance benefits as part of the fixed remuneration package.

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

### Short term incentive policy and procedure

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

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

Each year, the Remuneration and Nomination Committee considers the appropriate targets, and sets minimum levels of performance to trigger the payment of an STI. The Remuneration and Nomination Committee is responsible for assessing whether the STI targets are met. For the year ended 30 June 2019, the STI targets were based on Group and individual objectives, with the key Group financial performance targets being Total Revenue, Normalised EBITDA and Cash balance.

## Long term incentive policy and procedure

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

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

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

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

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

At 30 June 2019, Megaport had 600,000 options on issue to eligible employees, including Directors and other KMP under the 2015 ESOP, and at 8 August 2019 this number had not changed. At 30 June 2019, Megaport had 6,876,676 options on issue to eligible employees, including Directors and other KMP under the ESOP General. At 8 August 2019, the number of options on issue under the ESOP General had increased to 7,356,667.

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

## Chief Executive Officer Remuneration

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

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

The CEO's fixed base salary of \$400,000 was determined by the Board with reference to market data. The Remuneration and Nomination Committee considered the following factors in arriving at this outcome:

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

The CEO may be eligible for a STI of up to \$200,000, subject to targets set by the Remuneration and Nomination Committee at the commencement of the financial year. The targets for the year ended 30 June 2019 relate directly to Megaport's financial performance and position. Details of the STI payable to the CEO in respect of 2019 financial year are outlined later in this report.

The CEO was issued 2,000,000 options during the year ended 30 June 2019 (2018: Nil). The amounts listed for the CEO's LTI for the financial year consists of options issued in previous years under Megaport's ESOP plans, details of which appear later in this report. As at 30 June 2019, Vincent holds 2,533,333 outstanding options (2018: 600,000 options).

### Other key management personnel remuneration

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

### Service agreements

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

Key term	CEO	CCO <sup>8</sup>	CFO
Duration of agreement:	No fixed term	No fixed term	No fixed term
Period of notice required to terminate agreement (by the relevant KMP):	Twelve weeks' notice	Twelve weeks' notice	Twelve weeks' notice
Period of notice required to terminate agreement (by Company):	Twelve weeks' notice, or immediately without notice for serious misconduct or other specific circumstances warranting summary dismissal	Twelve weeks' notice, or immediately without notice for serious misconduct or other specific circumstances warranting summary dismissal	Twelve weeks' notice, or immediately without notice for serious misconduct or other specific circumstances warranting summary dismissal
Potential Termination benefits:	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 for 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		

<sup>8</sup> Unless otherwise stated, these terms apply to both Ms Belle Lajoie and Mr Peter Hase in respect their service agreement as CCO

## Remuneration of KMP

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

2019	Short-term benefits			Post-employment benefits	Long-term benefits	Equity-settled benefit and rights		Total \$
	Salary and fees <sup>9</sup> \$	Short-term incentive \$	Non-monetary benefits \$	Super-annuation \$	Long service leave <sup>7</sup> \$	Shares \$	Options <sup>10</sup> \$	
<b>Non-Executive Directors</b>								
Bevan Slattery*	58,600	-	-	5,567	-	-	-	64,167
Drew Kelton~	67,500	-	-	-	-	-	-	67,500
Simon Moore	68,492	-	-	6,508	-	-	-	75,000
Peter Hase^	43,500	-	-	-	-	-	-	43,500
Jay Adelson	34,156	-	-	-	-	-	-	34,156
Naomi Seddon	7,500	-	-	-	-	-	-	7,500
	<b>279,748</b>	<b>-</b>	<b>-</b>	<b>12,075</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>291,823</b>
<b>Executive Directors</b>								
Bevan Slattery*	29,681	-	-	2,820	-	-	-	32,501
Vincent English	401,462	200,000	5,809	38,000	8,062	1,000	1,410,696	2,065,029
	<b>431,143</b>	<b>200,000</b>	<b>5,809</b>	<b>40,820</b>	<b>8,062</b>	<b>1,000</b>	<b>1,410,696</b>	<b>2,097,530</b>
<b>Other KMP</b>								
Peter Hase^	326,214	94,694	-	17,796	-	1,000	-	439,704
Belle Lajoie#	244,613	-	-	18,809	(7,758)	-	-	255,664
Steve Loxton	302,712	81,200	-	20,531	440	1,000	663,807	1,069,690
	<b>873,539</b>	<b>175,894</b>	<b>-</b>	<b>57,136</b>	<b>(7,318)</b>	<b>2,000</b>	<b>663,807</b>	<b>1,765,058</b>
<b>Total Remuneration</b>	<b>1,584,430</b>	<b>375,894</b>	<b>5,809</b>	<b>110,031</b>	<b>744</b>	<b>3,000</b>	<b>2,074,503</b>	<b>4,154,411</b>

\* Resigned as Executive Director effective 1 September 2018 and appointed as non-executive director from 1 September 2018

~ Resigned on 1 June 2019

^ Resigned as Non-Executive Director effective 10 May 2019 and appointed as CCO on 12 February 2019. Peter also provided temporary CCO consultancy support services from 27 August 2018

# Employment ceased on 28 April 2019

9 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

10 The value of options is calculated using a Black-Scholes valuation model at grant date. This value is allocated to remuneration of KMP on a straight-line basis to profit or loss 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

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

\*Resigned effective 31 March 2018

^Appointed on 19 February 2018

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

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

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

	Fixed salary and/or fees		Short term incentive - at risk		Long term incentive <sup>11</sup>	
	2019	2018	2019	2018	2019	2018
<b>Non-Executive Directors</b>						
Bevan Slattery	100%	-	-	-	-	-
Drew Kelton	100%	100%	-	-	-	-
Simon Moore	100%	100%	-	-	-	-
Peter Hase	100%	73%	-	-	-	27%
Jay Adelson	100%	-	-	-	-	-
Naomi Seddon	100%	-	-	-	-	-
<b>Executive Directors</b>						
Bevan Slattery	100%	100%	-	-	-	-
Vincent English	21%	59%	10%	16%	69%	25%
<b>Other KMP</b>						
Peter Hase	78%	-	22%	-	-	-
Steve Loxton	30%	34%	8%	7%	62%	59%
Haidee Van Ruth	-	97%	-	-	-	3%
Belle Lajoie	100%	78%	-	22%	-	-

<sup>11</sup> The LTI above refers to share-based payments not at risk and subject to service conditions

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

	Cash bonus paid/payable		Cash bonus forfeited	
	2019	2018	2019	2018

### **Executive Directors**

Vincent English	100%	50%	-	50%
-----------------	------	-----	---	-----

### **Other KMP**

Peter Hase	100%	-	-	-
Steve Loxton	70%	50%	30%	50%
Belle Lajoie	-	50%	-	50%

The STI amounts that were paid or are payable were determined by the Remuneration and Nomination Committee following an assessment of performance against targets. These include targets related to Megaport's strategic business objectives and financial targets including Total Revenue, Normalised EBITDA and Cash balance.

## **Equity-Based Compensation**

### **Employee share option plans**

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

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

## Employee share option plans (Continued)

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

Options series	Grant date	Grant date fair value \$	Exercise price \$	Vesting date	Expiry date
2015 ESOP – series 3	28-Nov-15	0.397	1.25	27-Nov-18	26-Nov-19
ESOP General – series 2016 – 8	17-Oct-16	1.209 - 1.343	2.02	17-Oct-18 to 17-Oct-19	16-Oct-19 to 16-Oct-20
ESOP General – series 2016 – 9	02-Dec-16	0.842	2.02	23-Nov-17	22-Nov-19
ESOP General – series 2018 – 7	03-Apr-18	1.108 - 1.536	2.93	19-Feb-19 to 19-Feb-21	18-Feb-20 to 18-Feb-22
ESOP General – series 2019 – 7	29-Nov-18	1.037 - 1.299	3.60	01-Jul-19 to 29-Nov-20	30-Jun-20 to 28-Nov-21

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

The total fair value of outstanding share options granted as compensation to KMP at reporting date includes:

Name	Opening balance 1 July 2018		Granted during the year <sup>12</sup>		Forfeited during the year		Exercised/settled during the year		Closing balance 30 June 2019	
	Number	\$	Number	\$	Number	\$	Number	\$	Number	\$
Drew Kelton	100,000	29,800	-	-	-	-	(100,000)	(29,800)	-	-
Simon Moore	100,000	29,800	-	-	-	-	(100,000)	(29,800)	-	-
Peter Hase	100,000	84,174	-	-	-	-	-	-	100,000	84,174
Vincent English	600,000	347,607	2,000,000	2,336,271	-	-	(66,667)	(51,601)	2,533,333	2,632,277
Steve Loxton	1,200,000	1,254,871	-	-	-	-	(200,000)	(197,295)	1,000,000	1,057,576

<sup>12</sup> The value of options is calculated as at the grant date using a Black-Scholes valuation model. This grant date value is allocated to remuneration of KMP on a straight-line basis over the period from grant date to vesting date



## Employee share option plans (Continued)

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

Name of Officer	Date Granted	Grant date fair value (\$)	Exercise price (\$)	Number of options granted
Celia Pheasant	01-Oct-18	1.369 – 1.572	2.66	100,000

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

Further details of the employee share option plans and of share options granted during the 2019 and 2018 financial years is contained in note 21 to the financial statements.

## Additional disclosures relating to KMP

### KMP equity holdings

The movement in number of ordinary shares of Megaport Limited<sup>13</sup> to KMP is as follow:

Name	Balance at 01 July 2018	Purchased	Disposed	Net other changes during the year	Balance at 30 June 2019	Balance held nominally
<i>Non-Executive Directors</i>						
Bevan Slattery	26,628,709	-	(8,300,000)	1,576	18,330,285	18,037,607
Drew Kelton <sup>~</sup>	25,000	-	(45,000)	100,000	80,000	-
Simon Moore	1,522,274	-	(500,000)	100,000	1,122,274	100,000
<i>Executive Director</i>						
Vincent English	70,596		(258)	67,183	137,521	94,149
<i>Other KMP</i>						
Peter Hase	-	1,000	-	-	1,000	1,000
Belle Lajoie <sup>#</sup>	700,000	-	(450,000)	258	250,258	250,258
Steve Loxton	-	788	(200,000)	202,758	3,546	1,046

<sup>~</sup> Resigned on 1 June 2019

<sup>#</sup> Employment ceased on 28 April 2019

13 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.

## Loans to KMP

No loans were made to Directors of Megaport Limited and other KMP of the Group, including their close family members and entities related to them, for the financial year ended 30 June 2019 (2018: Nil).

## Other transactions and balances with KMP of the Group

Information on other transactions and balances with Directors, other KMP and parties related to directors and other KMP are set out in note 27 of the financial statements.

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

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

Megaport Limited received more than 94% of "yes" votes on its Remuneration Report for the 2018 financial year. The Company did not receive any specific feedback from shareholders at the AGM or throughout the year on its remuneration practices.

## Indemnification and Insurance of Directors and Officers

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

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

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

## Proceedings on behalf of the Company

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

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

## Non-audit services

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

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

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

## Auditor's independence declaration

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

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

## Corporate Governance Statement

Megaport Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Megaport Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (Third Edition) published by the ASX Corporate Governance Council. Megaport Limited will be required to comply with the Fourth Edition of the ASX Corporate Governance Principles and Recommendations in FY21 and has implemented a program to achieve compliance within this timeframe.

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

On behalf of the Board of Directors



Vincent English  
Executive Director and Chief Executive Officer  
Brisbane  
21 August 2019



Deloitte Touche Tohmatsu  
ABN 74 490 121 060  
Level 23, Riverside Centre  
123 Eagle Street  
Brisbane, QLD, 4000  
Australia

Phone: +61 7 3308 7000  
[www.deloitte.com.au](http://www.deloitte.com.au)

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

21 August 2019

Dear Board Members

**Auditor's Independence Declaration to 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 report of Megaport Limited for the year ended 30 June 2019, 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 faithfully

A handwritten signature in black ink, appearing to read "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "R.G. Saayman".

R.G. Saayman  
Partner  
Chartered Accountants

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# FINANCIAL REPORT

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>Continuing operations</b>			
Revenue	4	35,065	19,753
Direct network costs	5	(23,117)	(15,264)
<b>Profit after direct network costs</b>		<b>11,948</b>	<b>4,489</b>
Other income		1,128	409
Employee expenses		(26,031)	(19,597)
Professional fees		(3,179)	(2,180)
Marketing expenses		(1,653)	(859)
Travel expenses		(2,417)	(1,461)
Equity-settled employee costs	7	(4,966)	(934)
Depreciation and amortisation expense	7	(9,051)	(4,936)
Finance costs		(226)	(137)
Foreign exchange gains	7	4,263	2,443
Other expenses		(3,371)	(2,563)
<b>Loss before income tax</b>		<b>(33,555)</b>	<b>(25,326)</b>
Income tax (expense) / benefit	6(a)	(9)	863
<b>Net loss for the year</b>		<b>(33,564)</b>	<b>(24,463)</b>
<b>Other comprehensive loss, net of tax</b>			
<b>Items that may be reclassified subsequent to profit or loss:</b>			
Exchange differences arising on the translation of foreign operations		(3,555)	(1,643)
<b>Total other comprehensive loss, net of income tax</b>		<b>(3,555)</b>	<b>(1,643)</b>
<b>Total comprehensive loss for the year</b>		<b>(37,119)</b>	<b>(26,106)</b>
<b>Loss attributable to:</b>			
Owners of Megaport Limited		(33,564)	(24,463)
<b>Total comprehensive loss attributable to:</b>			
Owners of Megaport Limited		(37,119)	(26,106)
<b>Loss per share</b>			
Basic and diluted loss per share	8	(0.27)	(0.23)

## Consolidated Statement of Financial Position

### As at 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	74,879	55,761
Trade and other receivables	10	6,360	3,397
Current tax assets	6(b)	43	-
Financial assets – Term deposits		-	509
Other assets	11	3,852	1,688
<b>Total current assets</b>		<b>85,134</b>	<b>61,355</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	26,810	19,687
Intangible assets	13	10,879	9,271
Deferred tax assets	6(c)	2,770	1,844
Other assets	11	1,352	-
<b>Total non-current assets</b>		<b>41,811</b>	<b>30,802</b>
<b>Total assets</b>		<b>126,945</b>	<b>92,157</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	12,977	10,411
Borrowings	16	836	59
Current tax liabilities	6(b)	247	72
Financial liabilities	17	-	995
Other liabilities		176	166
<b>Total current liabilities</b>		<b>14,236</b>	<b>11,703</b>
<b>Non-current liabilities</b>			
Borrowings	16	1,744	-
Deferred tax liabilities	6(c)	287	184
Other liabilities		88	66
<b>Total non-current liabilities</b>		<b>2,119</b>	<b>250</b>
<b>Total liabilities</b>		<b>16,355</b>	<b>11,953</b>
<b>Net assets</b>		<b>110,590</b>	<b>80,204</b>
<b>Equity</b>			
Issued capital	18	229,521	166,840
Reserves	19	2,290	1,021
Other equity		(11,914)	(11,914)
Accumulated losses	20	(109,307)	(75,743)
<b>Total equity</b>		<b>110,590</b>	<b>80,204</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 2019

	Notes	Issued capital \$'000	Reserves \$'000	Other equity^ \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017		80,136	13,282	(11,914)	(51,280)	30,224
Loss for the year		-	-	-	(24,463)	(24,463)
Other comprehensive loss		-	(1,643)	-	-	(1,643)
<b>Total comprehensive loss for the year</b>		-	<b>(1,643)</b>	-	<b>(24,463)</b>	<b>(26,106)</b>
Transactions with owners in their capacity as owners:						
Issue of ordinary share capital		76,962	-	-	-	76,962
Transfer of ordinary share capital	19	11,441	(11,441)	-	-	-
Employee share option expense		-	823	-	-	823
Share issue costs, net of tax	18	(1,699)	-	-	-	(1,699)
<b>Balance at 30 June 2018</b>		<b>166,840</b>	<b>1,021</b>	<b>(11,914)</b>	<b>(75,743)</b>	<b>80,204</b>
Balance at 1 July 2018		166,840	1,021	(11,914)	(75,743)	80,204
Loss for the year		-	-	-	(33,564)	(33,564)
Other comprehensive loss		-	(3,555)	-	-	(3,555)
<b>Total comprehensive loss for the year</b>		-	<b>(3,555)</b>	-	<b>(33,564)</b>	<b>(37,119)</b>
Transactions with owners in their capacity as owners:						
Issue of ordinary share capital		64,244	-	-	-	64,244
Employee share option expense		-	4,824	-	-	4,824
Share issue costs, net of tax	18	(1,563)	-	-	-	(1,563)
<b>Balance at 30 June 2019</b>		<b>229,521</b>	<b>2,290</b>	<b>(11,914)</b>	<b>(109,307)</b>	<b>110,590</b>

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

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



## Consolidated Statement of Cash Flows

### For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		33,113	19,503
Payments to suppliers and employees		(60,961)	(43,151)
Income taxes (paid) / received		(31)	34
Finance costs		(226)	(137)
<b>Net cash flows used in operating activities</b>	9	<b>(28,105)</b>	<b>(23,751)</b>
<b>Cash flows from investing activities</b>			
Interest received		957	265
Proceeds from / (payment for) financial assets		509	(9)
Payment for property, plant and equipment		(14,099)	(11,071)
Payment for intangible assets		(4,020)	(4,930)
Proceeds from disposal of property, plant and equipment		2	-
Purchase of controlled entities, net of cash acquired		-	(113)
Transaction costs relating to acquisition of subsidiary		-	(20)
Contingent consideration payment		(1,008)	(74)
<b>Net cash flows used in investing activities</b>		<b>(17,659)</b>	<b>(15,952)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of new shares		64,133	76,962
Share issue transaction costs		(2,232)	(2,607)
Proceeds from borrowings		2,900	-
Repayment of borrowings		(148)	(142)
<b>Net cash flows from financing activities</b>		<b>64,653</b>	<b>74,213</b>
Net increase in cash and cash equivalents held		18,889	34,510
Effects of exchange rate changes on cash and cash equivalents		229	224
Cash and cash equivalents at beginning of the year		55,761	21,027
<b>Cash and cash equivalents at end of the year</b>	9	<b>74,879</b>	<b>55,761</b>

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

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# 1 Significant accounting policies

## (a) General information

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

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

Level 4  
825 Ann Street  
Fortitude Valley QLD 4006

The principal activities of the Company and its subsidiaries (together referred to as “the Group”, “Megaport” or “consolidated entity”) are described in the Director’s Report.

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

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated. The consolidated financial statements are for the Group for the financial year ended 30 June 2019.

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

## (b) Basis of preparation

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

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars (\$’000), unless otherwise indicated.

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

### Compliance with IFRS

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

### Going concern

Determining whether the Group is a going concern has been evaluated 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.

**(b) Basis of preparation (Continued)****Historical cost convention**

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability at the measurement date.

**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 adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to their operations and effective for the year ended 30 June 2019. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 *Financial Instruments* (including AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2014-1 Amendments to Australian Accounting Standards (Part E – Financial Instruments], AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014))
  - AASB 15 *Revenue from Contracts with Customers* (including AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15)
  - AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*
  - Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- (i) AASB 9 *Financial Instruments* (including AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2014-1 Amendments to Australian Accounting Standards (Part E – Financial Instruments], AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014))

The final version of AASB 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The Standard carries over the existing derecognition requirements from AASB 139 *Financial Instruments: Recognition and Measurement* but all other areas of AASB 139 have been revised.

AASB 9 introduces new requirements for classifying and measuring financial assets. The material financial assets held by the Group are:

- Cash and cash equivalents
- Loans and receivables

**(b) Basis of preparation (Continued)****New and amended standards adopted by the Group (Continued)**

The financial assets outlined above are currently classified and measured at amortised cost on the same bases as were previously adopted under AASB 139 *Financial Instruments: Recognition and Measurement*. The Group adopted the modified retroactive approach at the application date. The application of AASB 9 did not have any impact on the recognition and classification of financial assets.

The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit and loss – in these cases, the portion of the change in fair value related to changes in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss, unless it creates a mismatch in profit or loss.

There was no impact on the carrying value of financial liabilities as a result of applying AASB 9, 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.

A new impairment model based on expected credit losses applies to debt instruments measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and written loan commitments and financial guarantee contracts. The loan loss allowance will be for either 12-month expected losses or lifetime expected losses. The latter applies if credit risk has increased significantly since initial recognition of the financial instrument. The Group applied AASB 9 guidance for impairment of financial assets. No significant impact is noted from the application of AASB 9 for impairment.

A new hedge accounting model has been put in place that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. However, some transition options exist that allow entities to essentially retain AASB 139 hedge accounting. The Group currently does not have hedging instruments. As a result, the application of AASB 9 for hedge accounting does not have any impact.

The new standard also introduces expanded disclosure requirements and changes in presentation. These additional disclosures have been adopted in the financial statements.

- (ii) AASB 15 *Revenue from Contracts with Customers* (including AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15)

AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 Construction Contracts, AASB 118 Revenue, Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, and Interpretation 131 Revenue-Barter Transactions Involving Advertising Services.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group has adopted AASB15 for the first time in the current year (under the modified retrospective approach). The Group's business model involves the provision of on-demand self-serve connectivity and interconnection services under contracts that are short term in nature and are largely billed on a monthly usage basis over time consistent with the individual performance obligations. As a result, the adoption of AASB15 did not have a significant impact on the measurement and recognition of revenue.

**(b) Basis of preparation (Continued)****New and amended standards adopted by the Group (Continued)****(iii) AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions**

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
  - The original liability is de-recognised
  - The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date
  - Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Group has applied these amendments for the first time in the current year. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group does not have cash-settled share-based payments.

**(iv) Interpretation 22 Foreign Currency Transactions and Advance Consideration**

Clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use when recognising the receipt or payment of advance consideration in a foreign currency.

The Interpretation requires an entity to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) as the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receive of advance consideration.

The Group has applied these amendments for the first time in the current year. The application of these amendments has had no significant impact on the Group's consolidated financial statements.

**New standards and interpretations not yet adopted**

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

**(i) AASB 16 Leases**

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

**(b) Basis of preparation (Continued)****New standards and interpretations not yet adopted (Continued)**

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 the present value of the future lease payments. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.
- Total lease payments will be split into a principal and interest portion in the Statement of Cash Flows, presented as financing and operating cash flows respectively.

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

The Standard will be effective for annual periods beginning on or after 1 January 2019 (applicable to the Group effective 1 July 2019). The Group has elected to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption. The right of use assets will be measured at the amount of the lease liabilities calculated on adoption. The lease liabilities will be measured at the present value of the remaining lease payments that are unpaid as at 1 July 2019.

The standard will primarily affect the accounting for the Group's operating leases, in particular rental of premises, rack space in data centres, and rental of cross connect and connectivity resources. As part of the transition to AASB 16 Leases, the Group has elected to apply the following practical expedients permitted within the transitional guidance of the standard:

- The Group has elected not to apply AASB 16 to contracts that were not previously identified as containing a lease applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a lease*;
- The Group has elected to use a single discount rate to measure lease liabilities for each identified lease contract with similar lease terms. The average discount rate is 6.0% based on lease terms;
- The Group elected to exclude the initial direct costs (such as legal and other costs of obtaining a lease) from the measurement of the right of use asset at the date of initial application;
- The Group has elected to use hindsight where applicable when determining lease term and inclusions of options to extend or terminate the lease; and
- On a lease by lease basis the Group has determined whether to apply the practical expedient in relation to not measuring the lease liability for leases with a lease term that will end within 12 months of the date of initial application.

As at 30 June 2019, the Group's lease commitments total \$8.9 million, including \$0.9 million for short-term leases and leases of low-value assets. The Group will recognise a right-of-use asset and corresponding lease liability of approximately \$7.4 million at the date of transition, being the present value of the \$8.0 million in total lease commitments. Of the total lease liability of \$7.4 million at the date of transition, approximately \$2.8 million represents current liabilities.

Whilst total assets and total liabilities will increase at the date of initial application of AASB 16, net assets of the Group will be unchanged at the date of transition.

**(b) Basis of preparation (Continued)****New standards and interpretations not yet adopted (Continued)***(ii) AASB Interpretation 23 Uncertainty over Income Tax Treatment*

The Interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019 (applicable to the Group effective 1 July 2019). Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively. Megaport has not experienced any uncertain tax treatments. As a result, the directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements.

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

<b>Title</b>	<b>Description</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year beginning</b>
Amendments to AASB 9	Prepayment Features with Negative Compensation	1 January 2019	1 July 2019
Amendments to AASB 128 <i>Investments in Associates</i>	Long-term Interests in Associates and Joint Ventures	1 January 2019	1 July 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	Amendments to AASB 3 <i>Business Combinations</i> , AASB 11 <i>Joint Arrangements</i> , AASB 112 <i>Income Taxes</i> and AASB 123 <i>Borrowing Costs</i>	1 January 2019	1 July 2019
Amendments to AASB 119 <i>Employee Benefits</i>	Plan Amendment, Curtailment or Settlement	1 January 2019	1 July 2019
AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	yet to be set	yet to be set



### (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.

#### (d) Business combinations (Continued)

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 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 9, or AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit or Loss and Other 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.

#### **(d) Business combinations (Continued)**

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

#### **(e) Common-control transactions**

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

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

#### **(f) Goodwill**

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

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

A cash-generating unit ("CGU") 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 CGU to which the goodwill relates. If the recoverable amount of the CGU is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro rata based on the carrying amount of each asset in the CGU. 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 CGU 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 CGU retained.

#### **(g) Segment reporting**

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

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

Goodwill is allocated by management to groups of CGUs on a segment level.

## (h) Foreign currencies

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

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.

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

## (i) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. 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 when the performance obligation satisfied such as "the completion of provision of service". 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 performance obligation is satisfied. Revenue from rendering of services is billed monthly, with standard payment terms of 30 days.

## (i) Revenue recognition (Continued)

### Interest income

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## (j) Taxation

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

### Current tax

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

### Deferred tax

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

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

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

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

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

**(j) Taxation (Continued)****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 parent entity 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**

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

**(k) Leases**

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

**The Group as lessee**

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

**(l) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

**(m) Cash and cash equivalents**

Cash and cash equivalents include 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.

**(n) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets (Trade and other receivables) which are measured at amortised cost. The loss allowance is recognised in profit or loss.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. The expected credit losses on trade receivables are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

## (o) Property, plant and equipment

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

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

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

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

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

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

### Assets under construction

Assets under construction are shown at historical cost. Historical cost includes directly attributable expenditures on network infrastructure and data centres which at reporting date, have not yet been finalised and/or are ready for use. Assets under construction are not depreciated. Assets under construction are transferred to the relevant class of PPE 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.



## (p) Intangible assets (Continued)

### 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 CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs 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, or 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 CGU) 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 CGU) 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) Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

## (t) Provisions

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

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

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

## (u) Employee benefits

### Short-term obligations

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

### Long-term obligations

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

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

### Retirement employment obligations

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

### 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.

**(u) Employee benefits (Continued)****Termination benefits**

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

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

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

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

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

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

**(w) Equity instruments**

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

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

Basic earnings per share is calculated by dividing:

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

**Diluted earnings per share**

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

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

**(y) Other taxes**

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

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

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

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

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

**(z) Current and non-current classification**

Assets and liabilities are presented in the Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**(aa) Derecognition of financial assets and liabilities**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**(aa) Derecognition of financial assets and liabilities (Continued)**

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss.

**2 Critical accounting estimates and judgements**

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

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

**(a) Value of assets relating to acquisitions**

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

**(b) Useful lives of PPE and intangible assets**

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

**(c) Value of internally generated intangible assets**

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

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

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

**(e) Income taxes**

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

**(f) Deferred taxation**

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

**(g) Impairment of assets**

In accordance with the Group's accounting policy, impairment assessment has been undertaken as at 30 June 2019 for all CGUs with indefinite life intangible assets allocated 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 management to make a number of assumptions, judgements and estimates throughout the process. Details of these key areas include the following:

- Management judgement is applied to establish the CGUs. The CGUs are smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
- The value-in-use model utilises a discounted cash flow analysis of five-year cashflows plus a terminal value. The five-year cash flows are based on the budget for the 12 months ending 30 June 2020 and a further four year projection based on management estimates of revenue, expenses, capital expenditure and cash flows for each CGU. Corporate expenses and corporate assets were allocated to the CGUs.
- Other key assumptions include the variables used to estimate the weighted average cost of capital and assumptions around factors such as credit margins, equity risk-premiums and terminal growth rates.

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

In 2017 Megaport entered into long term IRUs agreements for dark fibre services with a lump-sum payment arrangement. Management has classified the IRUs as intangible assets in the form of IRU capacity assets under AASB 138 "Intangible Assets" as the provider has the right to substitute, modify or replace the fibre cores and pathways used by Megaport.

## 3 Segment information

### (a) Description of segments

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

- **Asia-Pacific**, including Australia, New Zealand, Hong Kong, Singapore and Japan. As of 30 June 2019, 71 installed data centres operate across Asia-Pacific (2018: 59).
- **North America** established in April 2016, there are now 146 installed data centres across the United States of America and Canada (2018: 100).
- **Europe** established in 2016 and subsequently acquired Megaport (Bulgaria) EAD (formerly OMNIX Group AD) and Peering GmbH respectively. Megaport is present in 14 countries with 83 installed data centers across Europe (2018: 62).
- **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 monitor 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 Revenue, profit after direct network costs and Normalised EBITDA, each of which is measured the same way as these items 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 assets.



**(c) Segment performance and position**

The segment information provided to the CODM for the reportable segments for the year ended 30 June 2019 and 30 June 2018 is as follows:

	Asia-Pacific \$'000	North America \$'000	Europe \$'000	Total operating segments \$'000	Other <sup>3</sup> \$'000	Total \$'000
<b>2019</b>						
<i>For the year ended 30 June 2019</i>						
<b>Revenue<sup>1</sup></b>	<b>13,328</b>	<b>13,562</b>	<b>8,175</b>	<b>35,065</b>	<b>-</b>	<b>35,065</b>
<b>Profit after direct network costs</b>	<b>7,869</b>	<b>48</b>	<b>4,031</b>	<b>11,948</b>	<b>-</b>	<b>11,948</b>
<b>Normalised EBITDA<sup>2</sup></b>	<b>2,311</b>	<b>(10,474)</b>	<b>(2,008)</b>	<b>(10,171)</b>	<b>(14,524)</b>	<b>(24,695)</b>
Interest income	38	1	-	39	1,089	1,128
Depreciation and amortisation expense	(1,901)	(3,760)	(2,116)	(7,777)	(1,274)	(9,051)
Equity-settled employee costs	-	-	-	-	(4,966)	(4,966)
Finance costs	(125)	(50)	(44)	(219)	(7)	(226)
Foreign exchange gains	641	3,297	368	4,306	(43)	4,263
Non-operating expenses <sup>4</sup>	4	-	(12)	(8)	-	(8)
Income tax benefit / (expense)	412	136	(76)	472	(481)	(9)
<b>Net profit / (loss) for the year</b>	<b>1,380</b>	<b>(10,850)</b>	<b>(3,888)</b>	<b>(13,358)</b>	<b>(20,206)</b>	<b>(33,564)</b>
Additions to PPE and intangible assets	7,447	4,361	2,287	14,095	2,701	16,796
<i>As at 30 June 2019</i>						
<b>Segment assets</b>	<b>25,577</b>	<b>18,902</b>	<b>14,012</b>	<b>58,491</b>	<b>68,454</b>	<b>126,945</b>

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

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

2018	Asia-Pacific \$'000	North America \$'000	Europe \$'000	Total operating segments \$'000	Other <sup>3</sup> \$'000	Total \$'000
<i>For the year ended 30 June 2018</i>						
<b>Revenue<sup>1</sup></b>	<b>8,392</b>	<b>5,344</b>	<b>6,017</b>	<b>19,753</b>	<b>-</b>	<b>19,753</b>
<b>Profit / (loss) after direct network costs</b>	<b>3,843</b>	<b>(2,509)</b>	<b>3,155</b>	<b>4,489</b>	<b>-</b>	<b>4,489</b>
<b>Normalised EBITDA<sup>2</sup></b>	<b>(99)</b>	<b>(8,542)</b>	<b>(2,462)</b>	<b>(11,103)</b>	<b>(11,041)</b>	<b>(22,144)</b>
Interest income	3	-	1	4	405	409
Depreciation and amortisation expense	(1,216)	(1,616)	(1,372)	(4,204)	(732)	(4,936)
Equity-settled employee benefit	-	-	-	-	(934)	(934)
Finance costs	(61)	(21)	(51)	(133)	(4)	(137)
Foreign exchange gains	216	1,664	542	2,422	21	2,443
Non-operating expenses <sup>4</sup>	-	-	(20)	(20)	(7)	(27)
Income tax benefit / (expense)	326	90	(72)	344	519	863
<b>Net loss for the year</b>	<b>(831)</b>	<b>(8,425)</b>	<b>(3,434)</b>	<b>(12,690)</b>	<b>(11,773)</b>	<b>(24,463)</b>
Additions to PPE and intangible assets	2,680	8,220	3,958	14,858	1,211	16,069
<i>As at 30 June 2018</i>						
<b>Segment assets</b>	<b>11,752</b>	<b>14,863</b>	<b>12,142</b>	<b>38,757</b>	<b>53,400</b>	<b>92,157</b>

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

The amount of the Group's revenue from external customers broken down by major countries is as follows:

Location	2019		2018	
	\$'000	%	\$'000	%
United States of America	13,228	37.7	5,231	26.5
Australia	9,619	27.4	6,409	32.4
Germany	5,953	17.0	5,298	26.8
Other countries	6,265	17.9	2,815	14.3
<b>Total</b>	<b>35,065</b>	<b>100.0</b>	<b>19,753</b>	<b>100.0</b>

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

No single customer contributed 10% or more to the Group's revenue for both the financial years ending 30 June 2019 and 30 June 2018.

The PPE and intangible assets broken down by major countries is as follows:

Location	2019		2018	
	\$'000	%	\$'000	%
Australia	13,302	35.3	6,515	22.5
United States of America	11,489	30.5	10,617	36.7
Germany	6,249	16.6	6,377	22.0
Other countries	6,649	17.6	5,449	18.8
<b>Total</b>	<b>37,689</b>	<b>100.0</b>	<b>28,958</b>	<b>100.0</b>

## 4 Revenue

The Group derives the following type of revenue for the year from contracts with customers.

	2019	2018
	\$'000	\$'000
Revenue from the rendering of services	35,065	19,753
<b>Total revenue from contracts with customers</b>	<b>35,065</b>	<b>19,753</b>

## 5 Direct network costs

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

## 6 Income tax (expense)/benefit

### (a) Income tax (expense)/benefit recognised in profit or loss

	2019	2018
	\$'000	\$'000
Current income tax expense	(163)	(152)
<b>Total current tax expense</b>	<b>(163)</b>	<b>(152)</b>
Deferred income tax benefit	154	1,015
<b>Total deferred tax benefit</b>	<b>154</b>	<b>1,015</b>
<b>Income tax (expense)/benefit reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>	<b>(9)</b>	<b>863</b>

**(a) Income tax recognised in profit or loss (Continued)****Tax losses**

The Group has total unused tax losses in Australia of \$40.1 million (2018: \$28.5 million), in United States of America of \$41.9 million (2018: \$30.6 million), in Hong Kong of \$3.6 million (2018: \$3.2 million), in Singapore of \$3.6 million (2018: \$3.0 million), in the United Kingdom of \$3.5 million (2018: \$1.8 million) and in other countries totaling \$9.9 million (2018: \$7.0 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.

Parent entity and its Australian subsidiaries were consolidated for income tax purposes for the 2019 and previous financial years (refer Note 1(j)).

<b>Numerical reconciliation of income tax (expense)/ benefit to prima facie tax payable or receivable</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Accounting loss before income tax	(33,555)	(25,326)
Tax at the Australian tax rate of 30% (2018: 30%)	10,066	7,598
<i>Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:</i>		
Non-deductible amounts	(1,564)	(295)
Recognition of temporary differences previously not brought to account	153	248
Deductible amounts recognised in equity	670	908
Difference in overseas tax rates	(1,672)	(929)
Unused tax losses not recognised	(7,662)	(6,667)
<b>Income tax (expense) / benefit</b>	<b>(9)</b>	<b>863</b>

**(b) Current tax assets and liabilities**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<i>Current tax assets</i>		
Tax refund receivable	43	-
	<b>43</b>	<b>-</b>
<i>Current tax liabilities</i>		
Income tax payable	(247)	(72)
<b>Net current tax payable</b>	<b>(204)</b>	<b>(72)</b>

**(c) Deferred tax balances**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<i>Deferred tax assets</i>	2,770	1,844
Deferred tax liabilities	(287)	(184)
<b>Net deferred tax balances</b>	<b>2,483</b>	<b>1,660</b>

**(c) Deferred tax balances (Continued)**

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

	Opening balance \$'000	Recognised in profit or loss \$'000	Acquisition \$'000	Recognised directly in equity \$'000	Foreign currency movements \$'000	Closing balance \$'000
<b>30 June 2019</b>						
<i>Deferred tax assets and liabilities in relation to:</i>						
Intangible assets	508	15	-	-	-	523
Share issue costs	908	(427)	-	670	-	1,151
Accruals and other payables	373	546	-	-	-	919
Others	(129)	19	-	-	-	(110)
<b>Total</b>	<b>1,660</b>	<b>153</b>	<b>-</b>	<b>670</b>	<b>-</b>	<b>2,483</b>

	Opening balance \$'000	Recognised in profit or loss \$'000	Acquisition \$'000	Recognised directly in equity \$'000	Foreign currency movements \$'000	Closing balance \$'000
<b>30 June 2018</b>						
<i>Deferred tax assets and liabilities in relation to:</i>						
Intangible assets	(236)	770	(11)	-	(15)	508
Share issue costs	-	-	-	908	-	908
Accruals and other payables	-	373	-	-	-	373
Others	-	(129)	-	-	-	(129)
<b>Total</b>	<b>(236)</b>	<b>1,014</b>	<b>(11)</b>	<b>908</b>	<b>(15)</b>	<b>1,660</b>

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

	2019 \$'000	2018 \$'000
<i>Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:</i>		
Tax losses carried forward	24,921	19,501
<b>Total deferred tax assets not recognised</b>	<b>24,921</b>	<b>19,501</b>

## 7 Material profit or loss items

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

	Notes	2019 \$'000	2018 \$'000
<b>Income and expenses</b>			
<i>Depreciation and amortization:</i>			
Depreciation of non-current assets – property, plant and equipment	12	6,964	3,445
Amortisation of non-current assets – intangible assets	13	2,087	1,491
		<b>9,051</b>	<b>4,936</b>
<i>Equity-settled employee costs:</i>			
Employee share plan		142	111
Employee share option plans		4,824	823
	21(d)	<b>4,966</b>	<b>934</b>
<i>Other expense disclosures:</i>			
Rental expense relating to operating leases	(a)	11,967	9,559
Employees' superannuation expense		1,329	857
Foreign exchange gains	(b)	4,263	2,443
Acquisition-related transaction costs		-	20

### Notes:

- (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(c).
- (b) The Group provides funding support to subsidiaries to invest in network equipment and fund operating losses until they become established and self-funding. As a result, the Group may be subject to foreign currency gains or losses on intercompany receivables and payables. Refer to Note 22 for further details.

## 8 Loss per share

### Basic and diluted loss per share

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

	2019 \$'000	2018 \$'000
Net loss for the year attributable to owners of the Company	(33,564)	(24,463)
<b>Loss used in the calculation of basic and diluted loss per share</b>	<b>(33,564)</b>	<b>(24,463)</b>

	2019 No. of Shares	2018 No. of Shares
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	122,516,945	105,686,177

	2019 \$	2018 \$
Basic and diluted loss per share	(0.27)	(0.23)

Basic and diluted loss per share excludes the effect of 7,476,676 (2018: 4,125,885) outstanding employee share options as they are anti-dilutive given the Group made a loss for the current and previous years.

## 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	2019 \$'000	2018 \$'000
Cash at bank and on hand	(a)	39,352	54,766
Deposits at call	(b)	35,527	-
Funds held in escrow	(c)	-	995
<b>Total cash and cash equivalents</b>		<b>74,879</b>	<b>55,761</b>

Notes:

- (a) Included in cash at bank and on hand is an amount of \$5,821,000 (2018: \$121,000) that is held under lien by the bank as security for company's borrowings and credit cards and is therefore not available for use by the Group (refer to Note 16).
- (b) Deposits at call are readily convertible to known amount of cash recorded.
- (c) The funds were held in escrow for the contingent payment on the acquisition of Peering GmbH. The contingent payment has been paid during the year releasing the funds from escrow (refer Note 17).

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging 0% - 2.75% (2018: 0% - 2.64%). The weighted average interest rate for the year was 2.00% (2018: 2.05%).

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

	Notes	2019 \$'000	2018 \$'000
<b>Cash flows used in operating activities</b>			
Loss for the year		(33,564)	(24,463)
<i>Adjustments for:</i>			
Interest income		(1,128)	(409)
Depreciation and amortisation	7	9,051	4,936
Loss on disposal or write-off of non-current assets		8	26
Net foreign exchange differences		(4,779)	(2,072)
Transaction costs related to acquisition of a subsidiary		-	20
Equity-settled employee costs	21(d)	4,966	934
Income tax expense/(benefit)		9	(863)
		<b>(25,437)</b>	<b>(21,891)</b>
<i>Movements in working capital:</i>			
Increase in trade and other receivables		(3,521)	(1,670)
Increase in other assets		(2,367)	(557)
Increase in trade and other payables		3,233	1,246
Decrease in tax assets and liabilities		(23)	(828)
Increase / (Decrease) in other liabilities		10	(51)
<b>Net cash used in operating activities</b>		<b>(28,105)</b>	<b>(23,751)</b>

**10 Trade and other receivables**

	Notes	2019 \$'000	2018 \$'000
<i>Current</i>			
Trade receivables	(a)	5,763	2,990
Less: Allowance for expected credit losses	(b)	(260)	(180)
		<b>5,503</b>	<b>2,810</b>
Interest receivable		315	144
Other receivables		542	443
<b>Total</b>		<b>6,360</b>	<b>3,397</b>

*Notes:*

- (a) Trade receivables are non-interest bearing and are generally payable within 30 days.
- (b) Allowances for expected credit losses on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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



	2019	2018
	\$'000	\$'000
<b>Age of receivables that are past due but not impaired</b>		
1 – 30 days past due	752	371
31 – 60 days past due	196	196
61+ days past due	834	407
<b>Total</b>	<b>1,782</b>	<b>974</b>

The ageing of the trade receivables for which the expected credit losses provided are as follows:

	2019	2018
	\$'000	\$'000
<b>Age of impaired trade receivables</b>		
1 – 30 days past due	63	6
31 – 60 days past due	26	5
61+ days past due	171	169
<b>Total</b>	<b>260</b>	<b>180</b>

Movements in the allowance for expected credit losses are as follows:

	2019	2018
	\$'000	\$'000
Balance at beginning of the year	180	100
Additional allowances recognised	297	128
Amounts written off during the year as uncollectable	(184)	(49)
Amounts recovered/reversed during the year	(38)	(3)
Exchange differences	5	4
<b>Balance at end of the year</b>	<b>260</b>	<b>180</b>

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 and no individual customers account for more than 10% of total revenue. Further details regarding risk exposure related to credit, market and interest rate risk have been disclosed in Note 22.

## 11 Other assets

	2019	2018
	\$'000	\$'000
<i>Current</i>		
Prepayments	1,994	973
Accrued revenue	1,550	401
Deposits and bonds	308	314
	<b>3,852</b>	<b>1,688</b>
<i>Non-current</i>		
Prepayments	1,352	-
	<b>1,352</b>	<b>-</b>
<b>Total other assets</b>	<b>5,204</b>	<b>1,688</b>

## 12 Property, plant and equipment

	Network equipment \$'000	Furniture & office equipment \$'000	Computer equipment \$'000	Leasehold Improvements \$'000	Assets under construction \$'000	Total \$'000
<i>Year ended 30 June 2019</i>						
Opening net book amount	15,388	54	332	12	3,901	19,687
Additions	-	20	254	-	13,066	13,340
Transfers	8,376	-	-	-	(8,376)	-
Disposals	(4)	-	(6)	-	(10)	(20)
Depreciation charge	(6,659)	(30)	(263)	(12)	-	(6,964)
Exchange differences	601	1	4	-	161	767
<b>Net book value as at 30 June 2019</b>	<b>17,702</b>	<b>45</b>	<b>321</b>	<b>-</b>	<b>8,742</b>	<b>26,810</b>

<i>At 30 June 2019</i>						
Cost	33,999	104	1,278	35	8,742	44,158
Accumulated depreciation	(16,297)	(59)	(957)	(35)	-	(17,348)
<b>Net book value as at 30 June 2019</b>	<b>17,702</b>	<b>45</b>	<b>321</b>	<b>-</b>	<b>8,742</b>	<b>26,810</b>

<i>Year ended 30 June 2018</i>						
Opening net book amount	<b>7,267</b>	<b>22</b>	<b>365</b>	<b>24</b>	<b>845</b>	<b>8,523</b>
Additions	10,024	51	172	-	3,725	13,972
Transfers	787	-	10	-	(797)	-
Depreciation charge	(3,189)	(21)	(223)	(12)	-	(3,445)
Exchange differences	499	2	8	-	128	637
<b>Net book value as at 30 June 2018</b>	<b>15,388</b>	<b>54</b>	<b>332</b>	<b>12</b>	<b>3,901</b>	<b>19,687</b>

<i>At 30 June 2018</i>						
Cost	24,632	82	1,016	35	3,901	29,666
Accumulated depreciation	(9,244)	(28)	(684)	(23)	-	(9,979)
<b>Net book value as at 30 June 2018</b>	<b>15,388</b>	<b>54</b>	<b>332</b>	<b>12</b>	<b>3,901</b>	<b>19,687</b>

### Additional information relating to property, plant and equipment

No additions during the year were financed under lease agreements. The Group's obligations under finance leases (Note 16) are secured by the lessors' title to the leased assets, which have a carrying amount of \$39,000 at 30 June 2019 (2018: \$59,000).

## 13 Intangible assets

	Software \$'000	Customer contracts & relationships \$'000	Network rights \$'000	IRU assets \$'000	Brand names, patents & other intangibles \$'000	Goodwill \$'000	Software under development \$'000	Total \$'000
<i>Year ended 30 June 2019</i>								
Opening net book amount	1,681	505	291	3,505	327	1,531	1,431	9,271
Additions	47	-	-	-	120	-	3,289	3,456
Transfers	1,938	-	-	-	45	-	(1,983)	-
Amortisation charge	(1,232)	(104)	(279)	(407)	(65)	-	-	(2,087)
Exchange differences	1	9	4	169	-	23	33	239
<b>Net book value as at 30 June 2019</b>	<b>2,435</b>	<b>410</b>	<b>16</b>	<b>3,267</b>	<b>427</b>	<b>1,554</b>	<b>2,770</b>	<b>10,879</b>
<i>At 30 June 2019</i>								
Cost	4,608	673	837	4,152	530	1,554	2,770	15,124
Accumulated amortisation	(2,173)	(263)	(821)	(885)	(103)	-	-	(4,245)
<b>Net book value as at 30 June 2019</b>	<b>2,435</b>	<b>410</b>	<b>16</b>	<b>3,267</b>	<b>427</b>	<b>1,554</b>	<b>2,770</b>	<b>10,879</b>

	Software \$'000	Customer contracts & relationships \$'000	Network rights \$'000	IRU assets \$'000	Brand names, patents & other intangibles \$'000	Goodwill \$'000	Software under development \$'000	Total \$'000
<i>Year ended 30 June 2018</i>								
Opening net book amount	1,466	440	537	3,784	233	1,454	404	8,318
Additions	2	-	-	-	178	-	1,917	2,097
Acquisitions through business combinations	-	123	-	-	-	-	-	123
Disposals/write off	-	-	-	-	(26)	-	-	(26)
Transfers	912	-	-	-	-	-	(912)	-
Amortisation charge	(700)	(80)	(268)	(384)	(59)	-	-	(1,491)
Exchange differences	1	22	22	105	1	77	22	250
<b>Net book value as at 30 June 2018</b>	<b>1,681</b>	<b>505</b>	<b>291</b>	<b>3,505</b>	<b>327</b>	<b>1,531</b>	<b>1,431</b>	<b>9,271</b>
<i>At 30 June 2018</i>								
Cost	2,622	662	825	3,952	365	1,531	1,431	11,388
Accumulated amortisation	(941)	(157)	(534)	(447)	(38)	-	-	(2,117)
<b>Net book value as at 30 June 2018</b>	<b>1,681</b>	<b>505</b>	<b>291</b>	<b>3,505</b>	<b>327</b>	<b>1,531</b>	<b>1,431</b>	<b>9,271</b>

#### Additional information relating to intangible assets

The development team's time spent developing software is capitalised. A portion of their time is spent on researching new development opportunities and maintaining existing software. The total cost incurred for this time for the year ended 30 June 2019 was \$485,000 (2018: \$419,000), which is included in the employee expenses on the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

## 14 Impairment of goodwill

An impairment test is required to be performed for CGUs with indefinite life intangible assets, goodwill or where there is an indication of impairment. The Europe CGU was tested for impairment as it was allocated goodwill on acquisition of Peering GmbH. No impairment indicators identified for other CGUs.

The carrying amount of goodwill is as follows:

CGU	Note	2019 \$'000	2018 \$'000
Europe		1,554	1,531
<b>Total</b>	<b>13</b>	<b>1,554</b>	<b>1,531</b>

Goodwill is tested for impairment annually. The Group performed its annual impairment test using the carrying value as at 30 June 2019 (2018: carrying value as at 30 June 2018).

The recoverable amount of Europe has been determined using the value-in-use calculation, which includes the financial budgets set for the next financial year and management's earnings and cash flow projections for subsequent years.

### Key assumptions used for value-in-use calculation

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

	2019	2018
Pre-tax discount rate	14.25%	14.00%
Terminal growth rate	3%	3%
Cash flows beyond the next financial year are extrapolated using a growth rate of:		
Revenue growth (years 2 – 5)	45%	38%
Expenses growth (years 2 – 5)	18%	9%

- *Revenue* – using the budgeted revenue for the year ended 30 June 2020 and projections for a further four years.
- *Expenses* – using the budgeted expenses for the year ended 30 June 2020 and projections for a further four years.
- *Terminal value* – calculated based on a multiple of estimated cash flows in year five.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for Europe. The directors have determined that any reasonable change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of Europe.

## 15 Trade and other payables

	Notes	2019 \$'000	2018 \$'000
<i>Current</i>			
Trade payables	(a),(c)	3,690	3,060
Employee entitlements	(b)	4,113	2,304
Other payables and accruals	(c)	5,174	5,047
		<b>12,977</b>	<b>10,411</b>

### Notes:

- (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) Includes amounts due to related parties (Note 27(e)), an amount of \$142,000 accrued for employee share plan (2018: \$111,000) (Note 21(c)) and \$2.3 million (2018: Nil) for purchase of equipment that will be paid through a vendor financing facility (Note 16).

### Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate the 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	2019 \$'000	2018 \$'000
<b>Secured – at amortised cost</b>			
<i>Current</i>			
Finance lease liabilities	(a)	-	59
Other borrowings	(b)	836	-
		<b>836</b>	<b>59</b>
<i>Non-current</i>			
Other borrowings	(b)	1,744	-
		<b>1,744</b>	<b>-</b>
		<b>2,580</b>	<b>59</b>

Notes:

- (a) The borrowings are fixed interest rate debt and secured by assets leased.
- (b) During the year, the Group entered into a \$5.7 million vendor financing facility to fund the purchase of network equipment and payment of software licenses. The facility is governed by an Instalment Purchase Agreement and provides for the draw down in four instalments. The facility does not carry interest and is repayable via equal instalments over 36 months from the drawdown date. The loan is secured by a \$5.7 million bank guarantee. The fair value of loan is recognised using an estimate of a market interest rate.

## 17 Financial liabilities

	2019 \$'000	2018 \$'000
<i>Current</i>		
Contingent consideration	-	995
	<b>-</b>	<b>995</b>

Notes:

- (a) Contingent consideration related to the estimated fair value of the contingent consideration relating to the acquisition of Peering GmbH. The payables were contingent on performance hurdles specific to the share purchase agreement. The contingent consideration was fully paid during the year upon satisfaction of the performance condition.

- (b) The following table presents the changes in the contingent consideration:

	2019 \$'000	2018 \$'000
Opening balance	995	1,015
Paid out (cash)	(1,008)	(74)
Exchange movement	13	54
<b>Closing balance</b>	<b>-</b>	<b>995</b>

## 18 Issued capital

	2019 Shares	2019 \$'000	2018 Shares	2018 \$'000
Ordinary shares				
Fully paid	134,703,635	229,521	117,803,182	166,840
<b>Total issued capital</b>	<b>134,703,635</b>	<b>229,521</b>	<b>117,803,182</b>	<b>166,840</b>

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.

The movement in fully paid ordinary shares is summarised below:

	Number of shares	Total \$'000
Balance at 1 July 2017	88,234,994	80,136
Shares issued - Private Placement	26,568,583	77,794
Shares issued - Share Purchase Plan	2,666,271	9,998
Shares issued – Employee share options exercised	333,334	611
Less: Transaction costs arising on share issues, net of tax	-	(1,699)
<b>Balance at 30 June 2018</b>	<b>117,803,182</b>	<b>166,840</b>
Shares issued - Private Placement	12,500,000	50,000
Shares issued - Share Purchase Plan	2,497,813	9,991
Shares issued – Employee Share Plan	28,638	111
Shares issued – Employee share options exercised	1,874,002	4,142
Less: Transaction costs arising on share issues, net of tax	-	(1,563)
<b>Balance at 30 June 2019</b>	<b>134,703,635</b>	<b>229,521</b>

On 13 March 2019, Megaport announced it would raise \$50 million in new equity via a fully underwritten placement to institutional, experienced, sophisticated, and professional investors (Placement) and up to a further \$10 million via a Share Purchase Plan (SPP). The issue price of 4.00 per share represented a discount of 4.8% based on the last trading price on 12 March 2019. Morgans Corporate Limited and Royal Bank of Canada acted as Joint Lead Managers and Underwriters to the Placement. Megaport issued 12.5 million shares under the Placement on 20 March 2019 and issued 2.5 million shares under the SPP on 3 May 2019 to raise a total of \$60 million.

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



**(a) 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.

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. Based on the current strategic plan being executed and anticipated cash focus, the Board's current policy is to not issue dividends.

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Total borrowings	2,580	59
Total equity	110,590	80,204
<b>Gearing ratio</b>	<b>2.3%</b>	<b>0.1%</b>

**19 Reserves**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Foreign currency translation reserve	(4,436)	(881)
Employee share option reserve	6,726	1,902
	<b>2,290</b>	<b>1,021</b>

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

	<b>Foreign currency translation reserve \$'000</b>	<b>Employee share option reserve \$'000</b>	<b>Share allotment reserve \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2017	762	1,079	11,441	13,282
Exchange differences arising on translation of foreign operations	(1,643)	-	-	(1,643)
Share option expense	-	823	-	823
Transfers to issued capital	-	-	(11,441)	(11,441)
<b>Balance at 30 June 2018</b>	<b>(881)</b>	<b>1,902</b>	<b>-</b>	<b>1,021</b>
Exchange differences arising on translation of foreign operations	(3,555)	-	-	(3,555)
Share option expense	-	4,824	-	4,824
<b>Balance at 30 June 2019</b>	<b>(4,436)</b>	<b>6,726</b>	<b>-</b>	<b>2,290</b>

Notes:

(i) *Foreign currency translation reserve*

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

(ii) *Employee share option reserve*

The employee share option reserve relates to share options granted by the Company to its employees under ESOP 2015 and ESOP General. Further information about employee share option plans is set out in Note 21.

(iii) *Share allotment reserve*

The share allotment reserve relates to cash received in advance for 5,448,232 shares, allotted on 30 June 2017. The shares were subsequently issued on 4 July 2017.

## 20 Accumulated losses

Movement in accumulated losses is as follows:

	2019 \$'000	2018 \$'000
Balance at beginning of year	(75,743)	(51,280)
Net loss attributable to owners of the Company	(33,564)	(24,463)
<b>Balance at end of year</b>	<b>(109,307)</b>	<b>(75,743)</b>

## 21 Equity-settled employee benefit

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

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

The parent entity 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.

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 options, 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.

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

The following arrangements under the ESOP General were in existence as of 30 June 2019:

Options series	Number of outstanding options	Grant date	Vesting date	Expiry date	Exercise price \$	Fair value at grant date \$
Series 2016 - 2	66,667	23/08/2016	23/08/2019	22/08/2020	1.85	1.102
Series 2016 - 5	60,000	12/09/2016	12/09/2018 – 12/09/2019	11/09/2019 – 11/09/2020	1.91	1.091 – 1.217
Series 2016 - 6	85,002	30/09/2016	31/10/2018 – 31/10/2019	30/10/2019 – 30/10/2020	2.02	1.241 – 1.375
Series 2016 - 7	200,000	05/10/2016	05/10/2019	04/10/2020	2.02	1.4078
Series 2016 - 8	188,338	17/10/2016	17/10/2018 – 17/10/2019	16/10/2019 – 16/10/2020	2.02	1.209 – 1.343
Series 2016 - 9	100,000	02/12/2016	23/11/2017	22/11/2019	2.02	0.842
Series 2017 - 1A	8,334	01/01/2017	01/01/2020	31/12/2020	1.84	1.222
Series 2018 - 1	6,667	14/07/2017	31/10/2018-31/10/2019	30/10/2019-30/07/2020	1.79	0.783- 0.927
Series 2018 - 2	33,334	25/07/2017	01/07/2019-01/07/2020	30/06/2010-30/06/2021	1.75	0.946- 1.066
Series 2018 - 6	33,334	31/03/2018	31/03/2020-31/03/2021	30/03/2021-30/03/2022	3.07	1.350- 1.530
Series 2018 - 7	1,000,000	03/04/2018	19/02/2019-19/02/2021	18/02/2020-18/02/2022	2.93	1.108- 1.536
Series 2019 - 1	600,000	02/07/2018	02/07/2019-02/07/2022	01/07/2020-01/07/2023	3.22	1.249- 1.872
Series 2019 - 2	10,000	02/07/2018	31/10/2018-31/10/2020	30/10/2019-30/10/2021	3.22	0.921- 1.492
Series 2019 - 3	2,110,000	03/09/2018	04/09/2018-30/11/2020	03/09/2019-30/11/2021	3.26	0.973- 1.749
Series 2019 - 4	100,000	03/09/2018	30/06/2019-30/06/2021	29/06/2020-29/06/2022	2.74	0.999- 1.375
Series 2019 - 5	100,000	01/10/2018	01/10/2019-01/10/2020	30/09/2020-30/09/2021	2.66	1.369- 1.572
Series 2019 - 6	175,000	29/11/2018	01/10/2019-01/10/2021	30/09/2020-30/09/2022	2.72	1.523- 1.907
Series 2019 - 7	2,000,000	29/11/2018	01/07/2019-29/11/2020	30/06/2020-28/11/2021	3.60	1.037- 1.299
<b>Total</b>	<b>6,876,676</b>					

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

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

The weighted average fair value of the share options granted during the financial year is \$1.12 (2018: \$0.91). 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 comparative company volatility. The key assumptions of share options granted during the year are:

Option series	Grant date share price \$	Exercise price \$	Expected volatility %	Expected option life Years	Dividend yield %	Risk-free interest rate* %
Series 2019 – 1	3.93	3.22	45	1.5 – 4.5	-	2.50 – 3.05
Series 2019 – 2	3.93	3.22	45	0.5 – 2.5	-	2.50 – 2.65
Series 2019 – 3	4.03	3.26	45	0.5 – 3.5	-	2.46 – 2.72
Series 2019 – 4	3.26	2.74	45	1.5 – 3.5	-	2.45 – 2.81
Series 2019 – 5	3.67	2.66	45	1.5 – 2.5	-	2.58 – 2.78
Series 2019 – 6	3.90	2.72	45	1.5 – 3.5	-	2.58 – 2.99
Series 2019 – 7	3.90	3.60	45	1.5 – 2.5	-	2.43 – 2.58

\*Based on The Group of 100 commissioned Milliman discount rates

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

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

	2019		2018	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the year	2,925,885	2.42	2,115,000	1.91
Granted during the year	5,805,000	3.34	2,105,000	2.55
Forfeited during the year	(580,207)	2.55	(960,781)	1.77
Exercised during the year <sup>^</sup>	(1,274,002)	2.67	(333,334)	1.83
<b>Balance at end of the year</b>	<b>6,876,676</b>	<b>3.14</b>	<b>2,925,885</b>	<b>2.42</b>

<sup>^</sup> The weighted average share price at the date of grant of these options was \$3.76 (2018: \$3.64).

The number of options that have vested and become exercisable in the current reporting year was 2,281,667 (2018: 1,080,669). No options expired during the current year (2018: nil).

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

The share options outstanding at the end of the year had a weighted average exercise price of \$3.14 (2018: \$2.42), and a weighted average remaining contractual life of 535 days (2018: 520 days).

**(b) Share options granted under Megaport's 2015 employee share option plan (2015 ESOP)***(i) Details of the 2015 ESOP of the Company*

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

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

The following share options were in existence as of 30 June 2019:

Options series	Number of outstanding options	Grant date	Vesting date	Expiry date	Exercise price \$	Fair value at grant date \$
Series 3	600,000	28/11/2015	27/11/2018	26/11/2019	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) Movements in share options during the year*

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

	2019		2018	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the year	1,200,000	1.25	1,200,000	1.25
Exercised during the year	(600,000)	1.25	-	-
<b>Balance at end of the year</b>	<b>600,000</b>	<b>1.25</b>	<b>1,200,000</b>	<b>1.25</b>

800,000 options have vested (of which 200,000 have been vested during the year) and become exercisable in the current reporting year (2018: 100,000). No options expired during the current reporting year (2018: nil).

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

The share options outstanding at the end of the year had a weighted average exercise price of \$1.25 (2018: \$1.25), and a weighted average remaining contractual life of 149 days (2018: 287 days).

**(c) Employee Share Plan (ESP)**

The Company has a share scheme for employees of the Company and its subsidiaries. Under the ESP eligible employees on 1 June 2019, were granted \$1,000 in Megaport shares for no consideration. Shares will be issued subsequent to year end to the eligible employees who are still employed and have not rendered their resignation on the issuance date. This follows a similar grant of shares on 1 August 2018 to eligible employees at 1 June 2018.

Shares are issued under the ESP carry the same dividend and voting rights as existing shares. However, the ESP shares are subject to a holding lock until the earlier of three years from the date of issue and the date on which the participant ceases to be employed by the Group.

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

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

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Options issued under ESOP General	4,790	733
Options issued under 2015 ESOP	34	90
Employee Share Plan	142	111
<b>Total expense</b>	<b>4,966</b>	<b>934</b>

## 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	2019 \$'000	2018 \$'000
<i>Financial assets</i>			
Cash and cash equivalents	9	74,879	55,761
Trade and other receivables	10	6,360	3,397
Deposits and bonds	11	308	314
Other financial assets		-	509
<b>Total financial assets</b>		<b>81,547</b>	<b>59,981</b>
<i>Financial liabilities</i>			
Trade and other payables	15	12,977	10,411
Borrowings	16	2,580	59
Contingent consideration	17	-	995
<b>Total financial liabilities</b>		<b>15,557</b>	<b>11,465</b>

### (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), US Dollar (USD) and Euro are the currencies in which the majority of the Group's sales are denominated. Operating costs and capital expenditure are influenced by the currencies of those countries where the Group's data centres and fibre and connectivity links are located. In the current year, the USD 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 revenue, costs and capital expenditure are partly determined has a positive effect on the Group's net profit or loss and a weakening of the AUD has a negative effect on the Group's net profit or loss. However, a strengthening of the AUD does reduce the value of non-AUD denominated net assets and therefore total equity.

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

*(i) Foreign exchange risk (Continued)*

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

The majority of Group's cash and cash equivalents are denominated in AUD. The table below summarises the Group's cash and cash equivalents by currency:

<b>Currency funds held in</b>	<b>Notes</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
AUD		70,056	50,135
USD		2,145	2,868
Euro		1,429	2,342
British Pound (GBP)		408	85
Swiss Franc		145	136
Singapore Dollar		81	54
Others		615	141
<b>Total cash and cash equivalents</b>		<b>74,879</b>	<b>55,761</b>

The Group has adopted policies to manage foreign currency risk. These include:

- Board-approved foreign currency hedging policy;
- Forecasting of future cash flows; and
- Monitoring natural hedges arising from trading operations.

The hedging policy involves ensuring three months of operating costs and specified capital expenditure amounts are held in currencies significant to the Group.

**Sensitivity**

The table below estimates the impact on financial assets and financial liabilities of a 10% change in the closing exchange rate of the AUD against significant currencies. The impact is expressed in terms of the effect on net profit or loss. The sensitivities are based on financial assets and liabilities held at 30 June 2019, where balances are not denominated in the functional currency of the subsidiary.

	<b>Effect on net profit / (loss)</b>	
	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>10% strengthening/weakening of AUD</b>		
USD	214 / (214)	287 / (287)
Euro	143 / (143)	234 / (234)
GBP	41 / (41)	8 / (8)

The Group's exposure to movement in other foreign currencies 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 the interest earned on various short-term deposits and cash at bank accounts (refer Note 9).

**Sensitivity**

At 30 June 2019, if interest rates had increased/decreased by 100 basis points from the year end and rates with all other variables held constant, post-tax loss for the year would have been \$262,000 higher / \$262,000 lower (2018: \$22,000 higher / \$22,000 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 a potential default of the deposit 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:

	2019		2018	
	\$'000	Credit Rating <sup>1</sup>	\$'000	Credit Rating <sup>1</sup>
Australia	8,646	A+	2,163	A+
Australia	62,008	AA-	48,480	AA-
North America	629	A+	1,096	AA-
North America	1,074	A	1,026	A+
Asia	399	A	323	AA-
Europe	1,215	A-	1,258	AA-
Europe	145	AAA	136	AAA
Europe	661	A+	140	A+
Europe	72	AA-	1,139	Not applicable <sup>2</sup>
Europe	30	BBB	-	-
<b>Total</b>	<b>74,879</b>		<b>55,761</b>	

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 2019 (2018: July 2018).

2. As at 30 June 2018, the majority of these funds were held in ESCROW for contingent payment for the acquisition of Peering GmbH.

(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 for major customers. The Group does not require collateral in respect of financial assets. Outstanding customer receivables are monitored regularly.

*(ii) Trade receivables (Continued)*

The Group's credit risk is low due to the large volume of customers with individual transactions typically being small in value. To illustrate this, at 30 June 2019, more than 243 customers owed the Group \$4.6 million and accounted for approximately 80% of all the trade receivables owed to the Group. Also, no 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 allowances for credit loss 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 \$74.9 million (2018: \$55.8 million).

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

At 30 June 2019, the Group had a \$5.7 million vendor financing facility (refer to Note 16). There were no other debt facilities at 30 June 2019.

*Maturities of financial liabilities*

The Group's financial liabilities comprise trade and other payables, borrowings and other financial liabilities, and no derivative financial instruments are held. The undiscounted cash flows for the respective future periods are included in the following table. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2019.

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

	Weighted average effective interest rate %	Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	Total \$'000	Carrying amount \$'000
Trade and other payables	-	7,364	2,697	2,535	381*	12,977	12,977
Borrowings	6.0%	81	161	725	1,812	2,779	2,580
<b>Total at 30 June 2019</b>		<b>7,445</b>	<b>2,858</b>	<b>3,260</b>	<b>2,193</b>	<b>15,756</b>	<b>15,557</b>
Trade and other payables	-	5,314	1,136	3,961	-	10,411	10,411
Finance lease liability	12.2%	14	17	29	-	60	59
Contingent consideration liability	-	-	995	-	-	995	995
<b>Total at 30 June 2018</b>		<b>5,328</b>	<b>2,148</b>	<b>3,990</b>	<b>-</b>	<b>11,466</b>	<b>11,465</b>

\*Annual leave expected to be settled after 12 months

## 23 Contingent liabilities

The Group has no contingent liabilities at reporting date (2018: nil).

## 24 Commitments

### (a) Capital commitments

The Group has committed to purchase of property, plant and equipment amounting to \$0.5 million at 30 June 2019 (2018: Nil)

### (b) 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 lessor's title to the leased assets.

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

	Notes	Minimum lease payments		Present value of minimum lease payments	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Within one year		-	60	-	59
After one year but not more than five years		-	-	-	-
			<b>60</b>		<b>59</b>
Less: future finance charges		-	1	-	-
<b>Present value of minimum lease payments</b>		<b>-</b>	<b>59</b>	<b>-</b>	<b>59</b>
Included in the Consolidated Statement of Financial Position as:					
Current lease borrowings	16			-	59
Non-current lease borrowings	16			-	-
					<b>59</b>

### (c) Operating lease commitments – Group as lessee

Megaport has entered into a range of commercial arrangements for the rental of premises, rack space in data centres, and connectivity services with term that typically vary from 1 to 5 years. These agreements have varying terms, escalation clauses and renewal rights.

Commitments for future minimum lease payments in relation to non-cancellable operating leases as at 30 June are as follows:

	2019 \$'000	2018 \$'000
Within one year	4,509	8,180
After one year but not more than five years	4,437	4,142
<b>Total</b>	<b>8,946</b>	<b>12,322</b>

## 25 Events occurring after the financial year

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

## 26 Interest in other entities

The Group's subsidiaries at 30 June 2019 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	
			2019 %	2018 %
Megaport (Australia) Pty Ltd	(a)	Australia	100	100
Megaport (Services) Pty Ltd	(a)	Australia	100	100
Megaport (New Zealand) Limited		New Zealand	100	100
Megaport (Singapore) Pte Ltd		Singapore	100	100
Megaport (Hong Kong) Limited		Hong Kong	100	100
Megaport Japan K.K	(b)	Japan	100	-
Megaport (USA) Inc.		United States of America	100	100
Megaport (Canada) Inc.		Canada	100	100
Megaport (UK) Limited		United Kingdom	100	100
Megaport (Europe) Limited		United Kingdom	100	100
European Voice Link Limited		United Kingdom	100	100
Peering GmbH		Germany	100	100
Megaport (Deutschland) GmbH	(c)	Germany	100	100
Megaport (Netherlands) B.V.		The Netherlands	100	100
Megaport (Ireland) Limited		Republic of Ireland	100	100
Megaport (Schweiz) AG		Switzerland	100	100
Megaport (Sweden) AB		Sweden	100	100
Megaport Bulgaria EAD (Formerly OMNIX Group EAD)		Republic of Bulgaria	100	100
Eastern Voice Link EOOD		Republic of Bulgaria	100	100

(a) These entities are a part of the Australia tax-consolidated group with the head entity, Megaport Limited.

(b) Incorporated during the year.

(c) The company is under de-registration process as at 30 June 2019.

## 27 Related party transactions

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

### (a) Parent entity

The ultimate parent entity within the Group is Megaport Limited.

### (b) Subsidiaries

Interest in subsidiaries are set out in Note 26.

### (c) Compensation of key management personnel

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

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Short-term benefits	1,966	1,455
Post-employment benefits	110	119
Long-term benefits	1	11
Equity-settled employee costs	2,077	392
<b>Total</b>	<b>4,154</b>	<b>1,977</b>

The remuneration of directors and key executives is determined by the Remuneration & Nomination Committee.

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

### (d) Transactions with other related parties

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

	<b>Notes</b>	<b>2019</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>
<i>Sales and purchases of goods and services</i>			
Purchase of shared services from entities controlled by key management personnel	(i)	104	68
Purchase of direct network costs from entities related to key management personnel	(ii)	506	2,049
<i>Other transactions</i>			
Employee compensation of associates to key management personnel		43	45

**(d) Transactions with other related parties (Continued)***(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 Chairman, Bevan Slattery. Under the agreement, Capital B provides certain services to the Company. The services are charged on the basis of the actual cost to Capital B, allocated on the time Capital B employees spend providing services to the Company. The obligations on Capital B under the agreement are typical for a service 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 Chairman 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 agreements with Superloop Australia and Superloop Singapore 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 for exclusive right to use dark fibre. Under these agreements, Superloop would provide fibre to Megaport for the term of the agreements, which is 10 years. The initial amounts payable in relation to these agreements are payable upon execution of the related fibre order and at the end of the first year of the term, with monthly amounts payable over the term of the agreement. The IRU agreement includes the option to extend the fibre term for a further period subject to the agreement of both parties, and by Megaport (Hong Kong) Limited giving written notice to Superloop (Hong Kong) Limited no later than 3 months prior to the expiry of the term. These agreements also include a maintenance fee payable monthly.

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

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Operating lease commitments</i>		
Within one year	84	313
After one year but not more than five years	98	-
	<b>182</b>	<b>313</b>
<i>Other contractual commitments</i>		
Within one year	65	80
After one year but not more than five years	261	320
More than five years	186	309
	<b>512</b>	<b>709</b>
<b>Total</b>	<b>694</b>	<b>1,022</b>

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

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

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Amounts owed by related parties</i>		
Entities related to key management personnel	21	9
	<b>21</b>	<b>9</b>
<i>Amounts owed to related parties</i>		
Entities related to key management personnel	3	642
	<b>3</b>	<b>642</b>

**(f) Terms and conditions**

Directors for the Group hold other directorships as detailed in the Directors' Report. Where any of these related entities are customers or suppliers of the Group, the arrangements are on similar terms to third party 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.

## 28 Parent entity financial information

### (a) Summary financial information

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

	2019 \$'000	2018 \$'000
<b>Statement of Financial Position</b>		
Current assets	62,768	49,492
Non-current assets	158,677	110,315
<b>Total assets</b>	<b>221,455</b>	<b>159,807</b>
Current liabilities	494	357
<b>Total liabilities</b>	<b>494</b>	<b>357</b>
<b>Net assets</b>	<b>220,951</b>	<b>159,450</b>
<b>Shareholders' equity</b>		
Issued capital	229,521	166,840
Reserves	6,725	1,902
Accumulated losses	(15,295)	(9,292)
<b>Shareholders' equity</b>	<b>220,951</b>	<b>159,450</b>
<b>Net Loss for the year</b>	<b>(6,003)</b>	<b>(2,266)</b>
<b>Total comprehensive loss for the year</b>	<b>(6,003)</b>	<b>(2,266)</b>

### (b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 (2018: nil).

### (c) Contractual commitments

The parent did not have any contractual commitments at 30 June 2019 (2018: nil).

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



## 29 Auditors' remuneration

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

Notes	2019 \$	2018 \$
<b>Amounts received or due and receivable by:</b>		
<i>Deloitte Touche Tohmatsu Australia (auditor of the parent entity):</i>		
Audits and review of the financial reports of the entity and any other entity in the consolidated group	158,130	150,675
Other assurance services in relation to the entity and any other entity in the consolidated group:	25,000	-
<b>Total remuneration of Deloitte Touche Tohmatsu Australia</b>	<b>183,130</b>	<b>150,675</b>
<i>Other Deloitte network firms:</i>		
Audit of the financial reports of the entity and any other entities in the consolidated group	21,938	22,397
<b>Total remuneration of Deloitte network firms</b>	<b>21,938</b>	<b>22,397</b>
<i>Related practices of non-Deloitte Touche Tohmatsu</i>		
Audit of the financial reports of the entities in the consolidated group	1,631	1,006
<b>Total remuneration of non-Deloitte network firms</b>	<b>1,631</b>	<b>1,006</b>

# DIRECTORS' DECLARATION

In the Directors' opinion:

- a. The financial statements and notes set out on pages 47 to 106 of Megaport Limited ("the Company" or "consolidated entity") are in accordance with the *Corporations Act 2001*, including:
  - i. Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - ii. Giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date,
- b. At the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

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

On behalf of the Board of Directors



**Vincent English**  
Executive Director and Chief Executive Officer

Brisbane  
21 August 2019



Deloitte Touche Tohmatsu  
ABN 74 490 121 060  
Level 23, Riverside Centre  
123 Eagle Street  
Brisbane, QLD, 4000  
Australia

Phone: +61 7 3308 7000  
www.deloitte.com.au

## 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 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 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
<p><b>Carrying value of cash generating units</b>  <i>Refer to Note 2(g) – Impairment of assets, Note 13 – Intangible assets and Note 14 – Impairment of goodwill.</i></p> <p>An impairment assessment has been undertaken as at 30 June 2019 for all cash generating units with indefinite life intangible assets and those for which indicators of impairment have been identified. As at year-end, the group had goodwill of \$1.6 million held within the Europe cash generating unit ("CGU").</p> <p>Management conducts annual impairment tests using a discounted cash flow model, to assess the recoverability of the carrying value of the Group's cash generating units ("CGUs").</p> <p>There are a number of key judgements made in determining the inputs into these models including:</p> <ul style="list-style-type: none"> <li>- Identification of cash generating units,</li> <li>- Future cash flows for the CGUs,</li> <li>- Discount rates; and</li> <li>- Future and Terminal value growth rates</li> </ul>	<p>In conjunction with our valuation specialists, our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>- Challenging the key assumptions and methodology used by management in the impairment model,</li> <li>- 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,</li> <li>- Testing on a sample basis the mathematical accuracy of the cash flow model,</li> <li>- 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,</li> <li>- Performing a sensitivity analysis on the key assumptions, including; discount rates and forecast cash flows, including an assessment of the breakeven discount rates relevant to each CGU, and</li> <li>- Assessing the recoverable amount against the carrying value of each cash generating unit.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Note 14 to the financial statements.</p>

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, 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's audit. We remain solely responsible for our audit opinion.

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

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

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



### Report on the Remuneration Report

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 31 to 43 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Megaport Limited for the year ended 30 June 2019, 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

A handwritten signature in black ink, appearing to be "R.G. Saayman", written over a circular stamp or seal.

R.G. Saayman  
Partner  
Chartered Accountants  
Brisbane, 21 August 2019

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable at 8 August 2019.

## (a) Ordinary share capital

134,746,987 fully paid ordinary shares are held by 6,028 individual shareholders. All issued ordinary shares carry one vote per share.

## (b) Options

7,956,667 options are held by 32 individual options holders. Options do not carry a right to vote.

## (c) Distribution of holders of equity securities

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

Holding	Number of investors	
	Fully paid ordinary shares	Options
1 – 1,000	1740	-
1,001 – 5,000	2323	5
5,001 – 10,000	1040	3
10,001 – 100,000	871	8
100,001 and over	54	16
<b>Total</b>	<b>6028</b>	<b>32</b>

The number of shareholders holding less than the marketable parcel of fully paid ordinary shares is 196.

## (d) Substantial shareholders

Substantial shareholders of 5% or more of the fully paid ordinary shares in the Company as at 8 August 2019 are set out as follows:

Name	Number held	Percentage of issued shares
<b>Ordinary shares</b>		
Mr Bevan Andrew Slattery	18,037,607	13.39%
Capital Research Global Investors	12,492,778	9.27%
Digital MP LLC	9,637,241	7.15%

**(e) Equity security holders****Twenty largest quoted equity security holders**

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

Name	Fully paid ordinary shares	
	Number held	Percentage of issued shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	25,753,596	19.11
MR BEVAN ANDREW SLATTERY	18,037,607	13.39
J P MORGAN NOMINEES AUSTRALIA	13,153,228	9.76
DIGITAL MP LLC	9,637,241	7.15
CITICORP NOMINEES PTY LIMITED	7,856,474	5.83
BNP PARIBAS	7,318,792	5.43
NATIONAL NOMINEES LIMITED	4,783,426	3.55
BLUE STAMP COMPANY PTY LTD	2,110,374	1.57
UBS NOMINEES PTY LTD	1,017,455	0.76
WOODROSS NOMINEES PTY LTD	985,775	0.73
COLINTON CAPITAL PTY LTD	972,274	0.72
INTERCONTINENTAL PTY LIMITED	947,788	0.7
BRISPOT NOMINEES PTY LTD	677,726	0.5
TALSTON PTY LTD	550,000	0.41
CS THIRD NOMINEES PTY LIMITED	538,560	0.4
AUST EXECUTOR TRUSTEES LTD	518,251	0.38
PACIFIC CUSTODIANS PTY LIMITED	487,987	0.36
ECAPITAL NOMINEES PTY LIMITED	442,904	0.33
FOLIGNO PTY LIMITED	400,788	0.3
WARBONT NOMINEES PTY LTD	366,872	0.27
	<b>96,557,118</b>	<b>71.65%</b>

**Unquoted equity securities**

	Number on issue	Number of holders
Options issued under 2015 Employee Share Option Plan (2015 ESOP) to take up ordinary shares	600,000	2
Options issued under Employee Share Option Plan (ESOP General) to take up ordinary shares	7,356,667	31



# CORPORATE DIRECTORY

<b>Current directors</b>	Bevan Slattery Vincent English Simon Moore Jay Adelson Naomi Seddon
<b>Company Secretary</b>	Celia Pheasant
<b>Principal Registered Office in Australia</b>	Level 4 825 Ann Street Fortitude Valley, QLD 4006
<b>Share Register</b>	LINK Market Services Level 12 680 George Street Sydney, NSW 2000 Phone: 1300 554 474
<b>Auditor</b>	Deloitte Touche Tohmatsu Level 23 123 Eagle Street Brisbane, QLD 4000
<b>Stock Exchange Listing</b>	Megaport Limited shares are listed on the Australian Securities Exchange (ASX).
<b>Website Address</b>	<a href="http://www.megaport.com">www.megaport.com</a>
<b>ABN</b>	46 607 301 959



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

Led by Vincent English, Megaport has been built by a highly experienced team with extensive knowledge in building large scale global carrier networks and connects over 1,490 customers throughout over 528 enabled data centres globally. Megaport is an Alibaba Cloud Technology Partner, Oracle Cloud Partner, AWS Technology Partner, AWS Networking Competency Partner, Microsoft Azure ExpressRoute Partner, Google Cloud Interconnect Partner, IBM Direct Link Cloud Exchange provider, Salesforce Express Connect Partner, Nutanix Direct Connect Partner, and a member of the SAP PartnerEdge open ecosystem.



ASX: MP1



@megaportnetwork



@megaport

[megaport.com](http://megaport.com)

Phone +61 7 3088 5999

Level 4, 825 Ann St,

[info@megaport.com](mailto:info@megaport.com)

Fax +61 7 3088 5998

Fortitude Valley, 4006 – Australia

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ABN 46 607 301 959 ACN 607 432 646

