



Appendix 4D

Half-Year Report

31 December 2015

Megaport Limited

ABN: 46 607 301 959

Appendix 4D Half-Year Report

For the period 27 July 2015 to 31 December 2015

Results for Announcement to the Market

Summary of Financial Information

	27 July 2015 to 31 December 2015	Change \$	Change %
Revenue from ordinary activities	1,001,079	N/A	N/A
Profit/(loss) from ordinary activities after tax attributable to members	(9,939,517)	N/A	N/A
Net profit/(loss) for the period attributable to members	(9,939,517)	N/A	N/A

Dividends

No dividend has been proposed or declared in respect of the period ended 31 December 2015.

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

Refer to Media Release – Half Year Profit Announcement for the period ended 31 December 2015 and notes 3 - 5 in the half-year financial report to understand the Group's revenue and loss from ordinary activities.

Net tangible asset backing

	2015 cents
Net tangible assets per ordinary share	40.5

The number of Megaport shares on issue at 31 December 2015 is 70 million.

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

Name of entity	Note	Country of incorporation	Date control obtained or lost	% of equity held by immediate parent
Control obtained				
Megaport (Services) Pty Ltd	(a)	Australia	03 Aug 2015	100
Megaport (Australia) Pty Ltd	(b)	Australia	05 Aug 2015	100
Megaport (Singapore) Pte Ltd	(b)	Singapore	05 Aug 2015	100
Megaport (Hong Kong) Limited	(b)	Hong Kong	05 Aug 2015	100
Megaport (USA) Inc.	(b)	United States	05 Aug 2015	100
Megaport (UK) Limited	(b)	United Kingdom	05 Aug 2015	100
Megaport (New Zealand) Limited	(a)	New Zealand	17 Aug 2015	100
Megaport (Canada) Inc.	(a)	Canada	31 Aug 2015	100
Megaport (Netherlands) B.V.	(a)	The Netherlands	26 Nov 2015	100

(a) During the period these entities were incorporated.

(b) During the period these entities were acquired. Refer to note 10(a) in half-year financial report.

The information provided in the Appendix 4D is based on the half-year financial report, which has been prepared in accordance with Australian Accounting Standards.

The interim financial report is not subject to audit dispute or qualification.



Megaport Limited

ABN: 46 607 301 959

Half-Year Report

31 December 2015

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The Directors present their report on the consolidated entity consisting of Megaport Limited and the entities it controlled (referred to as 'the Group') at the end of, or during, the period ended 31 December 2015.

Megaport Limited is a newly formed company, incorporated on 27 July 2015 and gained admission to the ASX on 17 December 2015. As this is the first reporting period for the group, the report covers the period 27 July 2015 to 31 December 2015.

Directors

The following persons were directors of the Group during the whole period and up to the date of this report:

- Bevan Slattery (appointed on Incorporation)
- Denver Maddux (appointed on Incorporation)
- Celia Pheasant (appointed on Incorporation, resigned 26 October 2015)
- Simon Moore (appointed 26 October 2015)
- Drew Kelton (appointed 26 October 2015)
- Vijay Gill (appointed 26 October 2015, resigned 19 November 2015)

Operating and Financial Review

Group Overview

During the period, the Group engaged in its principal activity, being the provision of elastic interconnection services. Through its' platform the Group provides customers with the ability to provision interconnection services between their network and other networks and cloud providers already connected to the Megaport Fabric.

The Group's business plan involves creating customer value by building a platform of participants and partners as well as expanding the business into new markets and interconnection locations. In addition to the construction of the North American and European Markets, Megaport intends to extend the platform deeper into existing markets.

In the period ended 31 December 2015, the Group has expanded into twelve locations across 7 markets in the United States, which represents 39% of the North American locations as disclosed in the Group's IPO prospectus. The remaining rollout of the North American market is on schedule to complete as anticipated by the end of April 2016.

The markets in Asia Pacific, specifically Australia continues to grow revenues and is generating a profit after direct network costs¹; and has gained strong market adoption with 31% revenue growth in the period. In the 5 months from the end of July 2015 to December 2015, the number of Ports sold grew over 72% and virtual cross connects grew more than 60%. Revenues in Singapore and Hong Kong have shown continued improvement with revenue growth during the same period.

Financial Performance and Position

This is the Group's first half year report for the 5 months ending 31 December 2015.

The Group's Revenue for the half year ended 31 December 2015 which saw continued substantial growth in Port and Virtual Cross Connect revenues was \$1,001,079. All of this revenue was generated in the Asia-Pacific business units, of which Australia accounts for 90%. The Group's Revenue in December 2015 was up 29% from July 2015. There is no revenue for the business units in North America or Europe as they are currently being rolled out; these are expected to generate revenues during the second half of this financial year.

There is a loss after direct network costs for the Group of \$149,455, which includes direct network costs¹ for the Asia Pacific and North America business units. The Asia Pacific business unit is generating a profit after direct network costs¹. The Group's net loss for the half year ended 31 December 2015 was \$9,939,517. The net loss includes a number of one-off costs which were incurred as part of the Initial Public Offering, employee benefits and corporate structure of \$3,108,840. The net loss excluding the one-off costs is \$6,830,677. The Group will continue to expand and grow as outlined in the December prospectus and investor presentations and these results are in line with the Board expectations.

1. Refer to note 4 of the financial report for the definition of Direct Network costs.

During the half year ended 31 December 2015, the Group undertook two capital raisings: \$10 million was raised in August 2015 via a private placement and \$25 million was raised in December 2015 through an Initial Public Offering. These capital raisings provide funds for operational costs, working capital, and capital expenditure for the Group to complete the network expansions in the North American and European markets, hire additional sales and engineering professionals, and investigate expansion opportunities into new markets and fund Offer costs (as outlined in the Group's prospectus).

At the end of December 2015, the cash position was \$25,441,258.

Auditor's Independence Declaration

A copy of the auditor's independence declaration is required under section 307C of the Corporations Act 2001 and is set out on page 3.

Signed in accordance with a resolution of Directors.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Denver Maddux', written in a cursive style.

Denver Maddux
Director
Brisbane
29 February 2016

The Board of Directors
Megaport Limited
14 – 16 Church Street
Fortitude Valley
Brisbane QLD 4006

29 February 2016

Dear Board Members

Megaport Limited

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

As lead audit partner for the review of the financial statements of Megaport Limited for the half-year ended 31 December 2015, 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 review; and
- (ii) any applicable code of professional conduct in relation to the or review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



R G Saayman
Partner
Chartered Accountants

ABN: 46 607 301 959

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Period 27 July 2015 to 31 December 2015

	Note	2015 \$
Continuing operations		
Revenue		1,001,079
Direct network costs	4	(1,150,534)
		(149,455)
Other income		11,881
Employee benefits expense		(5,875,993)
Professional fees		(1,409,005)
Marketing expenses		(874,347)
Travel expenses		(580,577)
Depreciation and amortisation expense		(444,013)
Finance costs		(25,988)
Foreign exchange gains/(losses)		(215,823)
Other expenses		(376,197)
Profit/(loss) before income tax		(9,939,517)
Income tax benefit / (expense)		-
Profit/(loss) after income tax for the period	5	(9,939,517)
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations		70,358
Total other comprehensive income, net of income tax		70,358
Total comprehensive income for the period		(9,869,159)
Profit attributable to:		
Owners of Megaport Limited		(9,939,517)
Total comprehensive income attributable to:		
Owners of Megaport Limited		(9,869,159)
Earnings/(losses) per share		
		Cents
Basic losses per share		(20.87)
Diluted losses per share		(20.87)

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

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Condensed Consolidated Statement of Financial Position

As At 31 December 2015

	Note	2015 \$
Assets		
Current assets		
Cash and cash equivalents		25,441,258
Trade and other receivables		356,874
Other assets		824,174
Total current assets		26,622,306
Non-current assets		
Property, plant and equipment	6	3,331,567
Other assets		36,371
Total non-current assets		3,367,938
Total assets		29,990,244
Liabilities		
Current liabilities		
Trade and other payables		1,634,154
Total current liabilities		1,634,154
Total liabilities		1,634,154
Net assets		28,356,090
Equity		
Issued capital	7	50,121,206
Reserves		(11,825,599)
Accumulated losses		(9,939,517)
Total Equity		28,356,090

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

ABN: 46 607 301 959

Condensed Consolidated Statement of Changes in Equity

For the Period 27 July 2015 to 31 December 2015

	Note	Issued capital \$	Foreign translation reserve \$	Common-control reserve \$	Equity-settled employee benefits reserve \$	Accumulated losses \$	Total \$
Balance at 27 July 2015		-	-	-	-	-	-
Loss for the period		-	-	-	-	(9,939,517)	(9,939,517)
Other comprehensive income		-	70,358	-	-	-	70,358
Total comprehensive income for the period		-	70,358	-	-	(9,939,517)	(9,869,159)
Issue of ordinary share capital	7	51,000,001	-	-	-	-	51,000,001
Common-control transactions	10	-	-	(11,916,251)	-	-	(11,916,251)
Share-based payments granted	8(a)	-	-	-	20,294	-	20,294
Share issue costs	7	(878,795)	-	-	-	-	(878,795)
Balance at 31 December 2015		50,121,206	70,358	(11,916,251)	20,294	(9,939,517)	28,356,090

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

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Condensed Consolidated Statement of Cash Flows

For the Period 27 July 2015 to 31 December 2015

	Note	2015 \$
Cash flows from operating activities		
Receipts from customers		759,986
Payments to suppliers and employees		(7,041,604)
Net cash from (used in) operating activities		(6,281,618)
Cash flows from investing activities		
Cash received on acquisition of subsidiary		305,735
Payments for property, plant and equipment		(2,328,346)
Net cash from (used in) investing activities		(2,022,611)
Cash flows from financing activities		
Proceeds from issue of shares	7	35,000,001
Payments for share issue expenses	7	(878,795)
Repayment of loan from founding shareholder		(375,719)
Net cash from (used in) financing activities		33,745,487
Net increase/(decrease) in cash and cash equivalents held		25,441,258
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period		25,441,258

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

1 Significant accounting policies

These financial statements are the condensed consolidated financial statements of Megaport Limited (ABN 46 607 301 959) and its subsidiaries (referred to as the 'Group').

The financial statements are presented in the Australian currency.

Megaport Limited (Megaport) is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Megaport Limited
16 Church Street
Fortitude Valley QLD 4006

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

All press releases, financial reports and other information are available at our Investor Centre on our website: www.megaport.com/investor.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Megaport Limited and its subsidiaries (the Group). Megaport Limited is a public company limited by shares, incorporated and domiciled in Australia.

(a) Reporting period and comparative information

These are the first set of financial statements prepared for the Group and cover the period 27 July 2015 to 31 December 2015. Consequently, comparative information is not available for any prior periods.

Section 323D(5) of the *Corporations Act 2001* (Corporations Act) provides that a company must report for the first half-year, which is defined as the first six months of a financial year. The Company is also required to report to the ASX for the six months ending 31 December 2015. These two requirements create the need for two sets of half-year reports; for the period 27 July 2015 to 27 January 2016, as required by the Corporations Act and for the period 27 July 2015 to 31 December 2015, as required by the ASX Listing Rules.

The Company sought ASIC relief as the Board did not consider it desirable to have two sets of half-year reports for overlapping periods. The Board's view was that greater clarity on the Company's financial position and performance would be achieved with a single half-year report for the period ending 31 December 2015.

On 23 February 2016, the Australian Securities and Investments Commission (ASIC) granted relief from the reporting requirements under the Corporations Act for the period ending 27 January 2016. Under the ASIC order, the Company will prepare and lodge its first half-year financial report for the period from 27 July 2015 to 31 December 2015, allowing the Company to align its reporting requirements and release one set of half-year results.

(b) Basis of preparation

Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. This half-year report does not include notes of the type normally included in an annual financial report. As the Group has not previously released an annual financial report, selected additional disclosures have been made that are considered material to understanding the interim reporting period.

Historical cost convention

These financial statements have been prepared on the basis of historical cost, 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. All amounts are presented in Australian dollars, unless otherwise noted.

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, revised or amending Accounting Standards and Interpretations adopted

These are the first set of financial statements prepared by the Group and cover the period 27 July 2015 to 31 December 2015. Consequently, the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2015 have not affected any of the amounts recognised in the current period.

Early Adoption of Standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015.

(c) Basis of consolidation

The financial statements incorporate the financial statements of Megaport Limited ('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
- 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.

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 in a business combination is measured at fair value which is calculated as the sum of the acquisition date fair value of assets transferred by the entity, liabilities incurred by the entity to the former owners of the acquiree and the equity instruments issued by the entity in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

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 Megaport Limited acquires an entity under common-control (note 9), the acquirer consolidates the carrying values of the acquired entity's assets and liabilities from the date of acquisition. The consolidated financial statements of the Group include the acquired entity's income and expenses from the date of acquisition onwards. Any difference between the fair value of the consideration paid/transferred by the acquirer and the net assets/(liabilities) of the acquired entity are taken to the common control reserve within other equity.

(e) Segment reporting

Operating segments are reported in a manner consistent with the operations of the Group and the internal reporting provided to the chief operating decision maker.

(f) Foreign currencies

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

(g) Revenue recognition

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

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

Rendering of services

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

Interest income

Interest income is accrued on a time basis. For financial assets interest is recognised at the effective yield of the instrument.

(h) Taxation

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

Current tax

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from profit before tax as reported in the condensed consolidated statement of profit or loss and 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 financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

(i) 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.

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.

(j) Cash and cash equivalents

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

(k) Trade and other receivables

Trade receivables are recognised at the amounts receivable as they are due for settlement.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the impairment loss is recognised in the condensed consolidated statement of profit or loss and comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(l) Investments and other financial assets

Loans and receivables

Classification

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non current assets. Loans and receivables are included in trade and other receivables in the condensed consolidated statement of financial position.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the condensed consolidated statement of profit or loss and comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the condensed consolidated statement of profit or loss and comprehensive income. Impairment testing of trade receivables is described in note 1(o).

(m) Property, plant and equipment

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

An item of PP&E 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 PP&E is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation

Depreciation is calculated on a straight-line basis to write off the cost or valuation of assets (other than freehold land or assets under construction) less their residual values, over their expected useful lives as follows:

PP&E Category	Expected Useful Life
Network equipment	3 years
Fibre optic equipment	3 years
Office equipment	3 years
Computer equipment	3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(n) Assets under construction

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

(o) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine where there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company 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.

(q) 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.

(r) Employee benefits

Short-term obligations

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Post-employment obligations

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(s) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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

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

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

(t) 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.

(u) 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.

(v) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

2 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

(a) Useful life of assets

The economic life of PP&E, which includes network infrastructure is a critical accounting estimates, with the ranges outlined in Note 1(m). The useful economic life is the Board's and Management's best estimate based on historical experiences and industry knowledge. The Group will review the estimated useful lives of PP&E including network infrastructure at the end of each annual reporting period. Should the actual lives of these component parts be significantly different this would impact the depreciation charge.

(b) 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.

(c) 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 tax credits for tax losses. Given the early stage of the Group and these tax losses, Megaport has not recognised any deferred tax assets in the condensed consolidated statement of financial position as at 31 December 2015.

3 Segment information

The Group's Board of Directors examine the performance of the Group from a geographic perspective and has identified three operating segments of its business, with two being reportable. All operating segments receive revenue based on the services described in note 1(g).

- **Megaport (Asia-Pacific)** includes Australia, New Zealand, Hong Kong and Singapore. The segment includes key data centres in each market. New Zealand includes a long-haul connectivity capability back to Australia, which enables cloud exchange services to the market. The Group is currently investigating connectivity capabilities between Hong Kong and Singapore to allow cross-market cloud exchange services.
- **Megaport (North America)** opened its' headquarters in San Francisco in August 2015. The business development team has secured several key reseller agreements and service providers that are joining the Megaport Fabric as sites are launching. The segment is continuing expansion over the next period.
- **Megaport (Europe)** has recently been established to investigate and explore business case opportunities for the establishment of the Megaport network in Europe. Due to this segment being very early in operations, it does not meet the requirements of a reportable operating segment, however has been included to provide a total of all operating segments.
- **Corporate** includes head office and group services.

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

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

Megaport Limited

ABN: 46 607 301 959

Notes to the Condensed Consolidated Financial Statements



	Note	Asia-Pacific \$	North America \$	Europe \$	Operating segments total \$	Corporate \$	Total \$
Revenues (from external customers)		1,001,079	-	-	1,001,079	-	1,001,079
Net profit/(loss)		(3,033,065)¹	(3,360,485)¹	(70)	(6,393,620)	(3,545,897)	(9,939,517)
Interest income		69	72	-	141	11,740	11,881
Depreciation and amortisation	6	384,162	59,851	-	444,013	-	444,013
Share based payment expense	5	-	-	-	-	2,620,294	2,620,294
Listing on the ASX expenses	5	-	-	-	-	454,703	454,703
Restructuring costs	5	-	-	-	-	54,137	54,137
Event sponsorship	5	-	276,600	-	276,600	-	276,600
Segment assets		2,830,032	3,347,447	-	6,177,479	23,812,765	29,990,244
Capital expenditure of property, plant & equipment	6	295,160	2,040,282	-	2,335,442	-	2,335,442
Segment liabilities		610,308	871,516	-	1,481,824	152,330	1,634,154

1. Head office costs, including software development, marketing, finance, senior management and human resources costs, are captured in the country and segment they are derived in. The global head office is located in Brisbane, Australia therefore associated occupancy costs are captured in the Asia-Pacific segment. In the following half-year, Megaport will be developing a cost allocation process to ensure overheads are appropriately allocated to the segment the cost is related to operationally.

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

Revenue from external customers	\$	%
Australia	896,990	89.6
Other countries	104,089	10.4
Total	1,001,079	100.0

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

Location of non-current assets	\$	%
Australia	933,369	27.7
United States of America	2,027,871	60.2
Other countries	406,698	12.1
Total	3,367,938	100.0

4 Direct network costs

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

5 Material profit or loss items

The Group has identified a number of items which are material due to the significance in their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group and to distinguish one-off costs related to the structuring and establishment of the Group.

	Note	2015 \$
Share-based payment expense		
Employee share scheme issues ¹	8(b)	2,600,000
Employee share option plan	8(a)	20,294
Total share-based payment expense		2,620,294
Listing on the ASX expenses ¹	(a)	454,703
Restructuring costs ¹	(b)	54,137
Event sponsorship	(c)	276,600
Total material items from operations		3,405,734

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

- (a) To fund the growth phase of Megaport an initial public offering was conducted. In order to do this, the process of listing the Company on the Australian Stock Exchange was required. These costs were not incremental costs directly attributable to the issuing of new shares, therefore are a one-off cost to the Company's profit and loss.
- (b) Professional tax and legal advice was obtained prior to the establishment of Megaport Limited. This advice was to ensure the corporate structure of the business was best suited to the long-term business plans. Many factors were considered to ensure an appropriate structure was developed, including taxation, relevant regulation and accounting frameworks.
- (c) A platinum sponsorship for the AWS re:Invest 2015 conference was obtained as a means to gain status and build brand awareness of the Megaport name and service when it stepped into the US market.

6 Property, plant and equipment

	Network equipment \$	Fibre-optic equipment \$	Office equipment \$	Computer equipment \$	Assets under construction \$	Total \$
Depreciation policy	3 years	3 years	3 years	3 years		
Cost						
Balance at 27 July 2015	-	-	-	-	-	-
Additions	1,854,574	-	27,237	59,811	393,820	2,335,442
Acquisitions through business combinations	2,049,618	39,876	2,049	133,440	10,505	2,235,488
Effects of movements in exchange rates	(8,131)	-	-	-	(3)	(8,134)
Balance at 31 December 2015	3,896,061	39,876	29,286	193,251	404,322	4,562,796
Accumulated depreciation						
Balance at 27 July 2015	-	-	-	-	-	-
Acquisitions through business combinations	(752,279)	(19,258)	(910)	(16,649)	-	(789,096)
Depreciation charge	(375,434)	(6,389)	(4,094)	(58,096)	-	(444,013)
Effects of movements in exchange rates	1,880	-	-	-	-	1,880
Balance at 31 December 2015	(1,125,833)	(25,647)	(5,004)	(74,745)	-	(1,231,229)
Net book value as at 31 December 2015	2,770,228	14,229	24,282	118,506	404,322	3,331,567

7 Issued capital

Issued capital as at 31 December 2015 amounted to \$50,121,206 (70 million ordinary shares).

Movements in ordinary shares:

Details	Note	Number of shares	Total \$
Balance at 27 July 2015		-	-
Incorporation of Megaport Limited		1	1
Acquisition of Megaport subsidiaries ¹	10	13,499,999	5,400,000
Conversion of founding shareholder loan to equity ¹	12(c)	20,000,000	8,000,000
Issue to founding management team ¹	8(b)	6,500,000	2,600,000
Private placement	12(d)	10,000,000	10,000,000
Initial public offering		20,000,000	25,000,000
		70,000,000	51,000,001
Less: Transaction costs arising on share issues		-	(878,795)
Balance at 31 December 2015		70,000,000	50,121,206

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

8 Share-based payments

(a) 2015 employee share option plan (2015 ESOP)

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

Once vested, the options remain exercisable for periods ranging from 12 to 24 months, depending on the individual agreement. When exercisable, each option is convertible into one ordinary share. The exercise price has been set at the commencement of the agreement.

All options issued under 2015 ESOP were granted in the period. No options are due to become exercisable until November 2016.

Share options outstanding at the end of the period have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	Share options 31 December 2015
28 November 2015	27 November 2018	\$1.25	300,000
28 November 2015	27 February 2019	\$1.25	200,000
28 November 2015	27 November 2019	\$1.25	800,000
Total			1,300,000

(b) Employee share scheme

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

Under the scheme, the shares were issued with a value of \$0.40 per share (market value at the time of issue). In all other respects the shares rank equally with other fully-paid ordinary shares on issue.

Total number of shares issued under the plan to participating employees on 5 August 2015 is 6,500,000 ordinary shares.

9 Interest in other entities

The Group's subsidiaries at 31 December 2015 are set out below. 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	Note	Place of business/ country of incorporation	Ownership interest held by the Group 2015 %
Megaport (Services) Pty Ltd		Australia	100
Megaport (Australia) Pty Ltd	10(a)	Australia	100
Megaport (Singapore) Pte Ltd	10(a)	Singapore	100
Megaport (Hong Kong) Limited	10(a)	Hong Kong	100
Megaport (USA) Inc.	10(a)	United States of America	100
Megaport (UK) Limited	10(a)	United Kingdom	100
Megaport (New Zealand) Limited		New Zealand	100
Megaport (Canada) Inc.		Canada	100
Megaport (Netherlands) B.V.		The Netherlands	100

10 Controlled entities

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

Name of entity	Note	Date acquired	Net liabilities at date of acquisition
Megaport (Australia) Pty Ltd	(a)	5 August 2015	4,723,459
Megaport (Singapore) Pte Ltd	(a)	5 August 2015	550,250
Megaport (Hong Kong) Limited	(a)	5 August 2015	390,073
Megaport (USA) Inc.	(a)	5 August 2015	852,671
Megaport (UK) Limited	(a)	5 August 2015	(202)
Total net liabilities at date of acquisition			6,516,251
Consideration	7		5,400,000
Total common-control transactions recognised in other equity			11,916,251

(a) Acquisition of existing entities from Founding Shareholder

In August 2015, the Founder sold all of the shares in Megaport (Australia) Pty Ltd (Megaport Australia), Megaport (Singapore) Pte. Ltd., Megaport (Hong Kong) Limited, Megaport (USA), Inc., and Megaport (UK) Limited to the Company for consideration of \$5,400,000. Megaport Australia at the time was fully operational and generating revenue from various customer contracts. A key asset acquired through the purchase was the rights to the Megaport intellectual property (comprising of software, knowledge, and know-how) and the future revenue from customer contracts. The net liabilities for all of the entities combined at the date of acquisition was \$6,516,251. The Board at the time (excluding the Founder) approved the transaction. The consideration for the sale was satisfied by the issue of shares at \$0.40 per share.

11 Events occurring after the reporting period

On 14 January 2016, Megaport's US subsidiary entered into a binding alliance agreement with Amsterdam Internet Exchange, B.V. (AMS-IX) to become the exclusive global elastic cloud interconnection partner for AMS-IX. AMS-IX will in turn provide its Internet Exchange service in key Megaport-enabled markets. Megaport and AMS-IX will begin offering their services to each other's customers in Chicago and the San Francisco Bay Area in the US, as well as Hong Kong.

On 18 January 2016, Megaport's US subsidiary entered into an alliance agreement with CyrusOne (NASDAQ: CONE) to deliver SDN-enabled, elastic interconnection and cloud exchange services in CyrusOne data centres in the United States. This alliance expands Megaport's services to 13 new locations in markets that include Austin, Dallas, Chicago, Cincinnati, Houston, Phoenix, Sterling (Northern Virginia), and San Antonio.

We are not aware of any other matters or circumstances that have arisen since the end of the half year which have significantly affected or may significantly affect the operations and results of the consolidated entity.

12 Related party transactions

The following is a summary of the transactions with related parties and/or companies under the control of the founding shareholder.

(a) Services provided to Megaport

i. Shared services agreement

The Company has entered into a shared services agreement with Capital B Pty Ltd ACN 162 622 282 (Capital B), a company controlled by the Founding Shareholder. Under the agreement, Capital B provides certain services to the Company (e.g. administrative and information technology services) and a right to use Capital B's premises at 14-16 Church Street, Fortitude Valley, Queensland. The services are charged on the basis of the actual cost to Capital B, allocated on the time Capital B employees spend providing services to the Company. The right to use the premises is based on a proportion of the lease expenses (between Bevan Slattery as trustee for the Church Street Trust and Capital B), associated with the Company's use of the premises. The head lease is on arm's length terms. The obligations on Capital B under the agreement are typical for a services agreement, and require that Capital B provide the services with due care, skill and judgment, comply with the law in providing the services and effect appropriate insurance. Capital B may seek reimbursement for certain expenses incurred in connection with the provision of services under the agreement. Either party may terminate the agreement for convenience on 60 days' written notice.

ii. Supplier agreement with Superloop

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

Provision of services to/from related parties

	2015 \$
Provision of services to Megaport	
Payment to related parties for provision of shared services and rent	420,406
Balance outstanding at period end	
Trade and other payables	122,136

(b) Common-control business combinations

Refer to note 10 for information on common-control business combinations.

(c) Loans provided to Megaport

i. Founder's loan

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

Loans to/from related parties

Loans to/from related parties during the period are detailed as follows:

	Note	2015 \$
Beginning of the period		-
Loans payable to related parties - acquired as part of the purchase of subsidiaries		(8,414,489)
Foreign exchange (gain)/loss		38,770
Amounts converted to equity	7	8,000,000
Amounts repaid to related parties		375,719
End of the period		-

(d) Private placement

In late August, a private placement was completed, as a result of which the Company raised \$10 million (at \$1.00 per Share) from sophisticated investors and other persons known to the Board.

(e) Intellectual property assignment

In early August this year Megaport Services was incorporated as a subsidiary of Megaport Limited to hold all of the intellectual property of the Megaport Group. To effect the restructure of the intellectual property Capital B entered into assignment agreements with Megaport Services and with Megaport Australia to transfer trademarks registered in Capital B's name and other associated intellectual property and goodwill to Megaport Services.

Megaport Australia also transferred the trademarks it held to Megaport Services under the terms of an assignment agreement.

The intellectual property subject to transfer to Megaport Services and Megaport Australia was transferred at the cost to register or develop the relevant intellectual property, which the Board (excluding the Founder) determined to be arm's length.

A software development agreement between Capital B and a third party was also novated to Megaport Services for no additional consideration. Several domain names were also transferred from Capital B, the Founder and Subpartners Pty Ltd (an entity controlled by the Founder) to Megaport Services.

In the Directors' Opinion:

- a. The financial statements and notes set out on pages 4 to 25 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 31 December 2015 and of its performance for the period ended on that date, and
- b. At the date of this declaration, there are reasonable grounds to believe that Megaport Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Denver Maddux', written in a cursive style.

Denver Maddux
Executive Director and Chief Executive Officer

Brisbane
29 February 2016

Independent Auditor's Review Report to the Members of Megaport Limited

We have reviewed the accompanying half-year financial report of Megaport Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, and the condensed consolidated statement of profit or loss and comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 26.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Megaport Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Megaport Limited would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Megaport Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



R G Saayman
Partner
Chartered Accountants
Brisbane, 29 February 2016