ASX Appendix 4D

Results for Announcement to the Market
For the half-year ended 31 December 2018 ("1H19")
Previous corresponding period: to 31 December 2017 ("1H18")

Summary of financial information

	Note	1H19 $'000	1H18 $'000	Change $'000	Change %
Revenue from ordinary activities	1	90,763	77,487	13,276	17%
Profit/(loss) from ordinary activities after income tax for the period attributable to members	1	(3,143)	8,417	(11,560)	(137%)
Profit/(loss) after income tax attributable to members	1	(3,143)	8,417	(11,560)	(137%)

Explanation of Revenue and Profit from Ordinary Activities

Note 1: The following information has been provided in order to understand the Group's revenue from ordinary activities and profit/(loss) after income tax.

	1H19 $'000	1H18 $'000
Data centre services revenue	84,141	72,946
Other revenue	6,622	4,541
Total revenue from continuing operations	**90,763**	**77,487**
Profit/(loss) before income tax	(7,392)	12,347
Income tax (expense) / benefit	4,249	(3,930)
Profit/(loss) after income tax	**(3,143)**	**8,417**

NTA Backing

	1H19	1H18
Net tangible asset backing per ordinary share	$2.52	$1.78

Dividends

No dividend has been proposed or declared for the period ended 31 December 2018.

Details of entities over which control has been gained

On 18 October 2018, NEXTDC Limited acquired a controlling interest in the Asia Pacific Data Centre Group (APDC), increasing its investment in APDC from 29.2% at 30 June 2018 to 97.6%. Compulsory acquisition of the remaining shares in APDC was completed on 30 November 2018, with NEXTDC Limited holding 100% of the shares in APDC from that date.

APDC is a stapled group that was listed on the ASX at the date of acquisition, and subsequently de-listed on 24 December 2018. The Group comprised Asia Pacific Data Centre Holdings Limited and Asia Pacific Data Centre Limited as responsible entity of the Asia Pacific Data Centre Trust.

NEXTDC Limited

ABN 35 143 582 521

Interim financial report
for the half-year ended 31 December 2018

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by NEXTDC Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These interim financial statements are the consolidated interim financial statements of the consolidated entity consisting of NEXTDC Limited and its subsidiaries. The interim financial statements are presented in the Australian currency.

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

NEXTDC Limited
Level 6
100 Creek Street
Brisbane Qld 4000

The Directors of NEXTDC Limited present their report on the consolidated entity (referred to hereafter as "the Group") consisting of NEXTDC Limited ("NEXTDC" or "the Company") and the entities it controlled at the end of, or during, the half-year ended ended 31 December 2018 ("1H19").

Directors

The following persons held office as Directors of NEXTDC Limited during the financial period and up to the date of this report:

Douglas Flynn
Craig Scroggie
Stuart Davis
Gregory J Clark AC
Sharon Warburton

Principal activities

During the half-year, the principal continuing activities of the Group consisted of the development and operation of independent data centres in Australia.

Operating and financial review

NEXTDC is pleased to announce its interim results for the half-year ended 31 December 2018 that saw continued substantial growth in data centre revenue, as well as a significant increase in underlying EBITDA.

During the half-year, the Group has:

• Issued a further $300 million in unsecured notes ("Notes IV")
• Contracted 10.1MW of new capacity
• Increased the number of interconnections to 9,982 (from 8,671 at 30 June 2018)
• Grown its number of customers to 1,090 (up from 972 at 30 June 2018)
• Progressed construction of its S2 and P2 data centres
• Completed expansion of the second data hall in B2
• Commenced expansion of the third and fourth data halls at M2
• Completed the acquisition of the underlying B1 property as well as that of Asia Pacific Data Centre Group (which holds the underlying P1, M1, and S1 properties), increasing ownership from 29.2% at 30 June 2018 to 100% at 31 December 2018

Key financial highlights include:

• Revenue from continuing operations up $13.3 million (17%) to $90.8 million (1H18: $77.5 million)
• Underlying EBITDA up $8.6 million (26%) to $42.2 million (1H18: $33.6 million)
• Cash and term deposits of $343.6 million at 31 December 2018
• Net loss before tax of $7.4 million (1H18: profit of $12.3 million)
• Statutory net loss after tax of $3.1 million (1H18: profit of $8.4 million)

Operating and financial review (continued)

Reconciliation of statutory profit/(loss) to EBITDA and underlying EBITDA is as follows:

	1H19 $'000	**1H18 $'000**	**Change %**
Net profit/(loss) after tax	(3,143)	8,417	(137%)
Add finance costs	28,069	12,190	130%
Less interest income	(5,278)	(2,862)	84%
Add income tax expense/(benefit)	(4,249)	3,930	(208%)
Add depreciation and amortisation	22,030	13,609	62%
EBITDA	**37,429**	**35,284**	**6%**
Less gain on extinguishment of B1 lease	**(1,068)**	**-**	
Less gain on extinguishment of APDC leases	**(1,291)**	**-**	
Less distribution income	**(1,344)**	**(1,679)**	**(20%)**
Add APDC transaction costs	**4,958**	**-**	
Add landholder duty on acquisition of APDC properties	**3,498**	**-**	
Underlying EBITDA	**42,182**	**33,605**	**26%**

NEXTDC has continued to perform well in a competitive market, recording an $11.2 million (15%) increase in data centre services revenue to $84.1 million during 1H19 (1H18: $72.9 million).

NEXTDC has a clear strategy to differentiate its services through in-house engineering innovation and the adoption of new technologies in power and cooling systems. In addition, NEXTDC is committed to delivering a world-class customer experience with continued investments in internal systems and processes, with the ongoing implementation of online platforms to automate and integrate the management of the entire customer journey through the life cycle of their data centre services with NEXTDC.

These investments will position NEXTDC to deliver significant customer benefits, reinforce its market differentiation over the longer term and deliver scalable growth, reducing operating costs and increasing revenue.

A summary of consolidated revenues and segment EBITDA for the period is set out below:

	Segment revenues		**Segment EBITDA**	
Consolidated entity	**1H19 $'000**	1H18 $'000	**1H19 $'000**	1H18 $'000
Vic	**34,943**	30,119	**25,437**	21,816
NSW	**31,161**	27,286	**22,347**	18,390
Qld	**8,905**	7,916	**5,805**	5,310
WA	**6,938**	5,497	**4,957**	2,527
ACT	**1,170**	1,683	**118**	(1,035)
Other	**1,024**	445	**247**	(22)
Total segment revenue/result	**84,141**	72,946	**58,911**	46,986

Segment EBITDA reconciles to Group EBITDA as follows:

	1H19 $'000	1H18 $'000
Segment EBITDA	58,911	46,986
Less employee benefits expense (non-facility staff)	(11,504)	(9,359)
Less overheads and other expenses	(11,322)	(4,022)
Add distribution income	1,344	1,679
EBITDA	**37,429**	35,284

Operational developments and performance

NEXTDC's B2 data centre facility achieved Uptime Institute ("UTI") Tier IV Gold Certification of Operational Sustainability, becoming the first data centre in the Southern Hemisphere to receive this recognition from the Uptime Institute. The Gold Operational Sustainability standard recognises the human factors in running a data centre to meet fault tolerant standards. It includes climate-change preparedness and the growing need for edge computing, outage risk mitigation, energy efficiency, increasing rack density, and staffing trends. In addition, during the period, NEXTDC also took home the Global 2018 Design Team of the Year and Operations Team of the Year awards at the Data Center Dynamics Awards in London.

During 1H19, M1 was also accredited with an industry-leading NABERS 5-star rating for energy efficiency - Australia's first NABERS 5-star rated data centre. B2, M2, and S2 have all been designed to similarly achieve NABERS 5-star ratings for energy efficiency.

In another industry first, NEXTDC's corporate operations were also accredited 100% carbon neutral under the Australian National Carbon Offset Standard ("NCOS"), with NEXTDC also signing and subsequently announcing its sustainability partnership with Qantas Future Planet.

The S2 facility was opened for early customer access during 1H19, with further development ongoing. The P2 microsite and connectivity hub was also opened during the period to facilitate early access to the Indigo subsea cable system and other telecommunications and cloud infrastructure providers in the West Australian market.

Throughout the period, NEXTDC maintained 100% uptime across its national data centre network. In addition, NEXTDC also maintained its ISO 9001 and ISO 27001 certifications.

Sales performance

NEXTDC has continued to focus its sales strategy on partnering with providers of infrastructure, platform and packaged services. Flexibility offered by being carrier and vendor neutral allows customers a choice of carriers and systems integrators, leading to an increase in the number of unique customers to 1,090 at 31 December 2018, up from 972 at 30 June 2018.

During 1H19, NEXTDC increased its contracted utilisation by 10.1MW from 40.2MW at 30 June 2018 to 50.4MW at 31 December 2018. As a percentage of installed capacity in NEXTDC's national portfolio, this represents approximately 90% of installed capacity being contracted. It should be noted that over 9.4MW of new capacity has been added since 30 June 2018.

As announced on 12 November 2018, NEXTDC has now received orders for more than 14MW of capacity at its S2 data centre site (47% of total planned capacity). Revenue recognition from these orders will commence in 2H19, with the full run rate impact expected to be recognised in FY22 and beyond.

NEXTDC continues to derive revenue from numerous product sources including white space (including power recharge), rack ready services, establishment service fees and add-on services. During 1H19 cross connectivity generated approximately 7.7% of total recurring revenue.

The Group continues to enhance its go-to-market strategy through its channel partnerships with major telecommunications and IT service providers, allowing the Company to actively increase the breadth and depth of its selling capability without adding to its sales operating cost base.

Dividends

No dividend has been declared or paid during the half-year ended 31 December 2018 (1H18: nil).

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of Directors.

Craig Scroggie
Director

Sydney
27 February 2019

Auditor's Independence Declaration

As lead auditor for the review of NEXTDC Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of NEXTDC Limited and the entities it controlled during the period.

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
27 February 2019

	Note	Consolidated entity 31 December 2018 $'000	31 December 2017 $'000
REVENUE FROM CONTINUING OPERATIONS			
Data centre services revenue		**84,141**	72,946
Other revenue		**6,622**	4,541
Total revenue		**90,763**	77,487
OTHER INCOME			
Other income	5(a)	**2,801**	120
EXPENSES			
Direct costs		**(16,936)**	(11,022)
Employee benefits expense		**(15,058)**	(12,126)
Data centre facility costs		**(4,211)**	(11,682)
Depreciation and amortisation expense		**(22,030)**	(13,609)
Professional fees	5(a)	**(5,659)**	(766)
Marketing costs		**(220)**	(177)
Office and administrative expenses	5(a)	**(8,773)**	(3,688)
Finance costs		**(28,069)**	(12,190)
Profit/(loss) before income tax		**(7,392)**	12,347
Income tax benefit/(expense)	6	4,249	(3,930)
Profit/(loss) after income tax		**(3,143)**	8,417
PROFIT/(LOSS) IS ATTRIBUTABLE TO:			
Owners of NEXTDC Limited		**(3,143)**	8,417
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of equity investments at fair value through other comprehensive income	8	**4,654**	-
Total comprehensive income		**1,511**	8,417
Attributable to:			
Owners of NEXTDC Limited		**1,511**	8,417
		Cents	Cents
EARNINGS PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE GROUP:			
Basic earnings/(loss) per share		**(0.92)**	2.95
Diluted earnings/(loss) per share		**(0.92)**	2.90

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

	Note	Consolidated entity **31 December 2018 $'000**	 30 June 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**343,609**	417,982
Trade and other receivables	7	**36,575**	37,086
Other assets		**10,876**	9,154
Total current assets		**391,060**	464,222
Non-current assets			
Available-for-sale financial assets	8	**-**	62,523
Property, plant and equipment	9	**1,174,885**	679,950
Other assets		**1,627**	6,635
Intangible assets		**16,275**	12,907
Deferred tax assets		**20,458**	9,687
Total non-current assets		**1,213,245**	771,702
Total assets		**1,604,305**	1,235,924
LIABILITIES			
Current liabilities			
Trade and other payables		**36,949**	34,409
Other liabilities		**571**	2,960
Lease liabilities		**1,487**	307
Revenue received in advance		**4,596**	-
Current tax liabilities		**34**	-
Total current liabilities		**43,637**	37,676
Non-current liabilities			
Other liabilities		**-**	932
Provisions		**826**	692
Borrowings	10	**593,058**	296,912
Lease liabilities		**66,487**	5,735
Revenue received in advance		**18,559**	-
Total non-current liabilities		**678,930**	304,271
Total liabilities		**722,567**	341,947
Net assets		**881,738**	893,977
EQUITY			
Contributed equity	11	**905,991**	904,247
Reserves		**5,297**	6,005
Accumulated losses		**(29,550)**	(16,275)
Total equity		**881,738**	893,977

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

		Attributable to owners of NEXTDC Limited			
Consolidated entity	Note	**Contributed equity $'000**	**Reserves $'000**	**Accumulated losses $'000**	**Total equity $'000**
Balance at 1 July 2017		524,458	4,990	(22,914)	506,534
Profit/(loss) for the period		-	-	8,417	8,417
Total comprehensive income for the period		**-**	**-**	**8,417**	**8,417**
Transactions with owners in their capacity as owners:					
Share-based payments		-	722	-	722
Issue of shares for long-term incentive plan, net of transaction costs		1,371	(1,387)	-	(16)
		1,371	(665)	-	706
Balance at 31 December 2017		**525,829**	**4,325**	**(14,497)**	**515,657**
Balance at 1 July 2018		904,247	6,005	(16,275)	893,977
Change in accounting policy	2	-	-	(14,786)	(14,786)
Restated total equity at the beginning of the financial period		**904,247**	**6,005**	**(31,061)**	**879,191**
Profit/(loss) for the period		-	-	(3,143)	(3,143)
Other comprehensive income	8	-	-	4,654	4,654
Total comprehensive income for the period		**-**	**-**	**1,511**	**1,511**
Transactions with owners in their capacity as owners:					
Issue of shares for long-term incentive plan, net of transaction costs	11	1,904	(1,904)	-	-
Acquisition of treasury shares		(38)	-	-	(38)
Share-based payments		-	1,196	-	1,196
Contributions of equity, net of transaction costs		(122)	-	-	(122)
		1,744	(708)	-	1,036
Balance at 31 December 2018		**905,991**	**5,297**	**(29,550)**	**881,738**

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

	Consolidated entity	
	31 December 2018 $'000	31 December 2017 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	**93,352**	72,908
Payments to suppliers and employees (inclusive of GST)	**(54,539)**	(40,197)
	38,813	32,711
Transaction costs relating to acquisition of subsidiary	**(5,821)**	-
Interest paid	**(25,683)**	(10,959)
Proceeds from bank guarantees	**1,053**	1,620
Distributions received	**1,344**	-
Interest received	**5,290**	3,412
Net cash inflow from operating activities	**14,996**	26,784
Cash flows from investing activities		
Payments for acquisition of subsidiary, net of cash acquired	**(153,852)**	-
Payments for property, plant and equipment	**(191,191)**	(106,496)
Payments for financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets)	**(1,008)**	(62,030)
Receipts of term deposits	**-**	96,500
Payments for intangible assets	**(3,363)**	(3,087)
Net cash (outflow) from investing activities	**(349,414)**	(75,113)
Cash flows from financing activities		
Proceeds from borrowings	**300,000**	-
Payments for acquisition of non-controlling interest	**(5,380)**	-
Transaction costs paid in relation to issue of shares	**(122)**	-
Repayment of borrowings	**(29,000)**	-
Principal elements of lease payments (2017: Principal elements of finance lease payments)	**(394)**	(143)
Transaction costs in relation to loans and borrowings	**(5,021)**	(5,165)
Acquisition of treasury shares	**(38)**	-
Net cash inflow (outflow) from financing activities	**260,045**	(5,308)
Net (decrease) in cash and cash equivalents	**(74,373)**	(53,637)
Cash and cash equivalents at the beginning of the period	**417,982**	271,838
Cash and cash equivalents at end of period	**343,609**	218,201

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

1 Basis of preparation of half-year report

These financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by NEXTDC Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Where necessary, comparative information has been reclassified to conform with changes in presentation in the current interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The following relevant new or amended standards were adopted by the Group for the current reporting period:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 16 *Leases*

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2 below. The other new standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

2 Changes in accounting policies

(a) Impact on the financial statements

The Group applied the following new standards from 1 July 2018:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 16 *Leases*

The impact on adoption of these new standards are discussed in further detail below.

(b) AASB 9 Financial Instruments – Impact of adoption

AASB 9 *Financial Instruments* replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement* and addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

During the period, the Group held equity instruments classified as available-for-sale that satisfied conditions for classification as at fair value through other comprehensive income (FVOCI). Accordingly, the implementation of AASB 9 did not affect the classification and measurement of these financial assets. However, any gain or loss realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

There was no impact on the Group's accounting for financial liabilities, as the Group does not have any financial liabilities designated at fair value through profit or loss. The derecognition rules have been transferred from AASB 139, and have not been changed.

2 Changes in accounting policies (continued)

(b) AASB 9 Financial Instruments – Impact of adoption (continued)

Under AASB 9, the recognition of impairment provisions are required to be assessed on a forward looking basis, and based on expected credit losses (ECL) rather than on only incurred credit losses, as was the case under AASB 139. This change applies to the Group's financial assets classified at amortised cost, and impacted the Group's calculation of the loss allowance on trade debtors at 31 December 2018. The Group applied the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The new impairment model did not have a significant impact on the value of the loss provision at 31 December 2018.

(c) AASB 15 Revenue from Contracts with Customers – Impact of adoption

AASB 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers and requires application of a five-step process to identify the contract with the customer, identify performance obligations in the contract, determine transaction price, allocate the transaction price to the performance obligations and recognise revenue when performance obligations are satisfied.

The application of AASB 15 will not affect the Group's cash flows from operations or the manner in which NEXTDC transacts with customers. However, it will impact the timing of revenue recognition in relation to project fees. Project fees are primarily composed of installation services relating to a customer's initial deployment and other professional services performed. Historically, the Group has recognised revenue from project fees upfront, as the services are provided. Under AASB 15, from 1 July 2018, revenue is deferred and recognised over the term of the contract with the customer. Consequently, all revenue is now recognised over time rather than at a point in time.

AASB 15 also provides guidance relating to the treatment of contract costs not included in the scope of other standards, such as the incremental costs of obtaining a contract. From 1 July 2018, eligible costs that are expected to be recovered will be capitalised as a contract asset and amortised over the term of the contract with the customer.

The adoption of AASB 15 *Revenue from Contracts with Customers* from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the interim financial statements. In accordance with the transition provisions in AASB 15, the Group has adopted the modified retrospective approach which means that the cumulative impact of the adoption was recognised in accumulated losses as of 1 July 2018, and comparatives were not restated. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 July 2018):

	AASB 118 carrying amount 30 June 2018 $'000	Remeasure-ments $'000	AASB 15 carrying amount 1 July 2018 $'000
Contract assets - current	-	491	491
Contract assets - non-current	-	598	598
Revenue received in advance - current	-	4,293	4,293
Revenue received in advance - non-current	-	18,746	18,746
Deferred tax assets (net)	9,687	6,585	16,272
Accumulated losses	16,275	15,365	31,640

(d) AASB 16 Leases - Impact of adoption

AASB 16 *Leases* addresses the recognition, measurement, presentation and disclosure of leases. This standard applies to annual reporting periods beginning on or after 1 January 2019, however the Group has elected to early adopt the standard from 1 July 2018.

2 Changes in accounting policies (continued)

(d) AASB 16 Leases - Impact of adoption (continued)

The adoption of AASB 16 resulted in leases previously classified as operating leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 July 2018. The right-of-use asset comprises the initial lease liability amount, and initial direct costs incurred when entering into the lease less any lease incentives received. The asset is depreciated over the term of the lease. The new standard replaces the Group's operating lease expense with an interest and depreciation expense.

The Group has elected to apply the modified retrospective approach when transitioning to the new standard. Under this approach, NEXTDC has not restated comparative information as permitted under the specific transitional provisions in the standard. As a result of the adoption of AASB 16, the data centre facility costs line in the consolidated statement of comprehensive income is lower than the prior corresponding period, as rental expense has been replaced with depreciation and interest expense. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2018. For existing finance leases previously accounted for under AASB 117, there was a revaluation of existing lease liabilities recognised in the balance sheet, with a corresponding adjustment to the right-of-use asset.

In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 July 2018):

	AASB 117 carrying amount 30 June 2018 $'000	Remeasure-ments $'000	AASB 16 carrying amount 1 July 2018 $'000
Property, plant and equipment	679,950	267,063	947,013
Lease liability - current	307	2,475	2,782
Lease liability - non-current	5,735	264,588	270,323
Other liabilities	828	(828)	-
Deferred tax assets (net)*	16,272	(249)	16,023
Accumulated losses*	31,640	(579)	31,061

* Carrying amount at 30 June 2018 adjusted for AASB 15 remeasurement above.

(e) Impact of adoption on accumulated losses

The impact on the Group’s accumulated losses as at 1 July 2018 is as follows:

	2018 $'000
Accumulated losses – 30 June 2018	($16,275)
Recognition of asset for incremental costs of obtaining a contract	$1,089
Less tax on incremental costs of obtaining a contract	($327)
Recognition of liability for deferred project fee income	($23,039)
Add tax on deferred project fee income	$6,912
Derecognition of lease incentives	$828
Less tax on derecognition of lease incentives	($249)
Adjustment to accumulated losses from adoption of AASB 15 and AASB 16	($14,786)
Opening accumulated losses - adjusted	**($31,061)**

3 Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 31 December 2018:

- Adoption of the new revenue standard AASB 15 *Revenue from Contracts with Customers* (see note 2)
- Adoption of the new leasing standard AASB 16 *Leases* (see note 2), and subsequent de-recognition of leases as a result of property acquisitions during the period (see Note 5)
- Increase in the investment in Asia Pacific Data Centre Group (APDC) from 29.2% to 100% (see note 12)
- Capital expenditure of $78 million incurred in relation to the development of S2
- Issue of a further $300 million in unsecured notes (Notes IV) (see note 10)

For more information about the Group's performance and financial position please refer to our review of operations on pages 1 to 3.

4 Segment information

(a) Description of segments

Management considers the business from a geographic perspective and has identified six reportable segments, the first five being each state where the Group operates data centre facilities and the last capturing financial information from operations that do not naturally fit into any particular geography. These segments do not exist as a separate legal entity, consequently, information such as income tax expense and segment liabilities are not prepared and provided to management for review and therefore not presented.

(b) Segment information provided to management

Half-Year to 31 Dec 2018	Vic $'000	NSW $'000	Qld $'000	WA $'000	ACT $'000	Other $'000	Total $'000
Revenue from external customers	34,943	31,161	8,905	6,938	1,170	1,024	84,141
Direct and facility costs	(8,462)	(8,049)	(2,318)	(1,506)	(578)	(234)	(21,147)
Employee benefits expense	(969)	(714)	(724)	(437)	(396)	(314)	(3,554)
Other expenses	(75)	(51)	(58)	(38)	(78)	(229)	(529)
Segment EBITDA	**25,437**	**22,347**	**5,805**	**4,957**	**118**	**247**	**58,911**
Depreciation and amortisation	(7,289)	(6,159)	(2,945)	(2,245)	(2,027)	(393)	(21,058)
Finance charge	(1,380)	(2,287)	(384)	(729)	(1,533)	-	(6,313)
Segment profit/(loss) before tax	**16,768**	**13,901**	**2,476**	**1,983**	**(3,442)**	**(146)**	**31,540**
Assets - 31 Dec 2018							
Segment assets	228,893	369,974	133,022	85,713	84,865	270,172	1,172,639
Unallocated assets	-	-	-	-	-	431,666	431,666
Total segment assets	**228,893**	**369,974**	**133,022**	**85,713**	**84,865**	**701,838**	**1,604,305**

Half-Year to 31 Dec 2017	Vic $'000	NSW $'000	Qld $'000	WA $'000	ACT $'000	Other $'000	Total $'000
Revenue from external customers	30,119	27,286	7,916	5,497	1,683	445	72,946
Direct and facility costs	(7,523)	(8,239)	(1,958)	(2,573)	(2,279)	(132)	(22,704)
Employee benefits expense	(706)	(601)	(571)	(351)	(370)	(169)	(2,768)
Other expenses	(74)	(56)	(77)	(46)	(69)	(166)	(488)
Segment EBITDA	**21,816**	**18,390**	**5,310**	**2,527**	**(1,035)**	**(22)**	**46,986**
Depreciation and amortisation	(4,152)	(4,050)	(1,814)	(1,309)	(447)	(1,032)	(12,804)
Finance charge	-	-	(178)	-	-	-	(178)
Segment profit/(loss) before tax	**17,664**	**14,340**	**3,318**	**1,218**	**(1,482)**	**(1,054)**	**34,004**
Assets - 31 Dec 2017							
Segment assets	182,876	136,809	106,970	49,924	27,608	6,985	511,172
Unallocated assets	-	-	-	-	-	337,497	337,497
Total segment assets	**182,876**	**136,809**	**106,970**	**49,924**	**27,608**	**344,482**	**848,669**

4 Segment information (continued)

(c) Other segment information

A reconciliation of operating segment results to profit/(loss) before income tax is as follows:

	Consolidated entity	
	31 December 2018 $'000	31 December 2017 $'000
Total segment profit before tax	**31,540**	34,004
Employee benefits expense (non-facility staff)	**(11,504)**	(9,358)
Distribution income	**1,344**	1,679
Interest revenue	**5,278**	2,862
Finance costs - net	**(21,756)**	(12,012)
Head office depreciation	**(972)**	(805)
Overheads and other expenses	**(11,322)**	(4,023)
Profit/(loss) before income tax from continuing operations	**(7,392)**	**12,347**

5 Profit and loss information

(a) Significant items

		Consolidated entity	
		Half-year ended	
	Note	**31 December 2018 $'000**	31 December 2017 $'000
Profit/(loss) for the half-year includes the following items that are unusual because of their nature, size or incidence:			
Gains included in Other income			
Gain on extinguishment of B1 lease		**1,068**	-
Gain on extinguishment of APDC leases	12(a)	**1,291**	-
		2,359	-
Expenses			
APDC transaction costs (included in Professional fees)	12(a)	**(4,958)**	-
Landholder duty on acquisition of APDC properties (included in Office and administrative expenses)	12(a)	**(3,498)**	-
		(8,456)	-
Net expenses		**(6,097)**	-

6 Income tax expense

(a) Income tax expense

	Consolidated entity	
	31 December 2018 $'000	31 December 2017 $'000
Current tax on profits for the period	**33**	3,939
Utilisation of tax attributes that have not previously been booked	**-**	(3,939)
Total current tax expense	**33**	-
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
(Increase)/decrease in deferred tax assets	**(22,329)**	4,242
(Decrease)/increase in deferred tax liabilities	**18,047**	(312)
Total deferred tax expense/(benefit)	**(4,282)**	3,930
Income tax expense/(benefit)	**(4,249)**	3,930

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

	Consolidated entity	
	31 December 2018 $'000	31 December 2017 $'000
Profit/(loss) from continuing operations before income tax expense	**(7,392)**	12,347
Tax at the Australian tax rate of 30.0% (2018 - 30.0%)	**(2,218)**	3,704
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	**11**	9
Share-based payments	**(2,180)**	217
Sundry items	**138**	-
Income tax expense/(benefit)	**(4,249)**	3,930

(c) Amounts recognised directly in equity

		Consolidated entity	
	Note	**31 December 2018 $'000**	31 December 2017 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:			
Deferred tax expense/(benefit) on change in accounting policy		**(6,337)**	-

6 Income tax expense (continued)

(c) Amounts recognised directly in equity (continued)

Deferred tax assets

The deferred tax assets include an amount of $9.0 million which relates to carried forward tax losses of NEXTDC Limited. The Group incurred the losses during its start-up operations and has concluded that the deferred tax assets are probable of recovery using the estimated future taxable income. The losses can be carried forward indefinitely and have no expiry date.

7 Current assets - Trade and other receivables

	Consolidated entity	
	31 December 2018 $'000	30 June 2018 $'000
Trade receivables	**34,683**	36,522
Provision for impairment	**(1,131)**	(1,254)
	33,552	35,268
Other receivables	**1,950**	1,629
GST receivable	**1,058**	162
Interest receivable	**15**	27
	36,575	37,086

8 Non-current assets - Available-for-sale financial assets

At 30 June 2018, NEXTDC Limited held an available-for-sale financial asset of $62.5 million, representing 29.2% of the quoted securities of Asia Pacific Data Centres ("APDC). On 11 October 2018, NEXTDC Limited acquired additional shares in APDC, bringing the carrying value of its investment to $63.5 million. On acquiring a controlling interest in APDC on 18 October 2018, the equity interests held were remeasured to their acquisition date fair value of $68.2 million (refer note 12), with the resulting gain of $4.7 million recognised in other comprehensive income. Compulsory acquisition of the remaining shares in APDC was completed on 30 November 2018, with NEXTDC Limited holding 100% of the shares in APDC from that date.

9 Property, plant and equipment

During the period, NEXTDC invested approximately $165 million on the development of M2 (Melbourne), B1 and B2 (Brisbane), S1 and S2 (Sydney), P1 and P2 (Perth) and C1 (Canberra). In addition to this, the Group spent $24 million on the acquisition of the underlying B1 property as well as completing the acquisition of APDC (refer note 12).

Right of use assets were also taken up as a result of the adoption of AASB 16 *Leases* from 1 July 2018 (carrying value of $66.5 million at 31 December 2018).

10 Borrowings

Unsecured Notes

At 31 December, the Group had the following Notes on issue:

• $300 million in Notes III, carrying an annual coupon rate of 6.25% paid semi-annually. Although these Notes are due 9 June 2021, the Group may repay as early as 9 June 2019, and each six months thereafter. Regardless of when Notes III is redeemed, an additional 1.5% interest will also be payable on redemption. In addition, the Group may at any time prior to 9 June 2019, redeem all or part of the Notes, upon not less than 7 days and no more than 60 days prior notice.
• $300 million in Notes IV issued in July 2018, comprising of a floating rate tranche of $200 million priced at 3.75% over 3-month BBSW and a fixed rate tranche of $100 million at 6%. Notes IV is complementary to the $300 million Notes III, albeit a different maturity date of June 2022, compared to June 2021 for Notes III.

Bank Loan

At 31 December 2018, NEXTDC Limited had an undrawn $300 million Syndicated Senior Secured Debt Facility.

The Group intends to use the majority of the new debt funds to fund future growth capital expenditure for its existing facilities and for developments that the Company is planning.

11 Contributed equity

(i) Ordinary shares

As part of our Equity Incentive Plan, which is offered to employees to help achieve the Group's strategic objectives, 1,402,988 ordinary shares were issued on 14 September 2018. These shares were issued following the vesting of Performance Award Rights in accordance with the Executive Incentive Rights Plan approved at NEXTDC's 2014 AGM.

12 Business combination

(a) Current period

On 18 October 2018, NEXTDC Limited acquired a controlling interest in the Asia Pacific Data Centre Group (APDC), increasing its investment in APDC from 29.2% at 30 June 2018 to 97.6%. Compulsory acquisition of the remaining shares in APDC was completed on 30 November 2018, with NEXTDC Limited holding 100% of the shares in APDC from that date.

APDC is a stapled group that was listed on the ASX at the date of acquisition, and subsequently de-listed on 24 December 2018. The Group comprises Asia Pacific Data Centre Holdings Limited and Asia Pacific Data Centre Limited as responsible entity of the Asia Pacific Data Centre Trust.

The acquisition means the Group will now own the three data centre properties held by APDC, which NEXTDC Limited currently leases under long-term lease arrangements. NEXTDC Limited considers there are benefits to owning the portfolio of data centres it currently operates from, given the Company's expanded capital base.

Details of the purchase consideration, the net assets acquired and gain on bargain purchase are as follows:

	$'000
Purchase consideration:	
Cash paid	**156,436**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Cash	**2,584**
Land and buildings	**261,000**
Plant and equipment	**7**
Other receivables	**1,193**
Trade and other payables	**(5,869)**
Borrowings	**(29,000)**
Deferred tax asset	**152**
Net identifiable assets acquired	**230,067**
Less: non-controlling interests	**(5,380)**
Less: gain on bargain purchase	**(66)**
Less: fair value of investment on acquisition	**(68,185)**
	156,436

(i) Acquisition-related costs

Acquisition-related costs of $8,456,000 are included in professional fees and office and administrative expenses in profit or loss.

(ii) Acquired receivables

The fair value of trade and other receivables is $1,193,000 and the full balance is expected to be recoverable.

(iii) Non-controlling interest

The fair value of the non-controlling interests was determined as the number of shares outstanding at acquisition date multiplied by the fair value of $2.00 per share.

12 Business combination (continued)

(b) Prior period

There were no acquisitions in the year ended 30 June 2018.

13 Contingencies

The Group had no contingent liabilities at 31 December 2018 (2017: nil).

14 Events occurring after the reporting period

Since the end of the reporting period, no matters have arisen which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

In the Directors' opinion:

(a) the interim financial statements and notes set out on pages 6 to 20 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 2018 and of its performance for the half-year ended ended on that date, and

(b) there are reasonable grounds to believe that the NEXTDC 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 Directors.

Craig Scroggie
Director
Sydney
27 February 2019

Independent auditor's review report to the members of NEXTDC Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of NEXTDC Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for NEXTDC Limited . The Group comprises the Company and the entities it controlled during that half-year.

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 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 Australian 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 Group's financial position as at 31 December 2018 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 NEXTDC 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.

Independence

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

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 NEXTDC Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Company for the half-year ended 31 December 2018 included on NEXTDC Limited's web site. The Company's directors are responsible for the integrity of the NEXTDC Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

Simon Neill
Partner

Brisbane
27 February 2019