where the cloud lives™

NEXTDC

2022 ANNUAL REPORT


NEXTDC

OUR VISION

Is to help enterprises harness the digital age and improve our society through the advancement of technology.

OUR PURPOSE

Is to be the leading customer-centric data centre services company, delivering solutions that power, secure and connect enterprise and Government customers.

CONTENTS

B1 Brisbane
20 Wharf Street
Brisbane City
QLD 4000

B2 Brisbane
454 St Pauls Terrace
Fortitude Valley
QLD 4006

SC1 Sunshine Coast
44 Maud St,
Maroochydore
QLD 4558

S1 Sydney
4 Eden Park Drive
Macquarie Park
NSW 2113

S2 Sydney
6-8 Giffnock Avenue
Macquarie Park
NSW 2113

S3 Sydney
2 Broadcast Way
Artarmon
NSW 2064

HIGHLIGHTS

1,613
CUSTOMERS

100%
CARBON NEUTRAL CORPORATE OPERATIONS

750+
PARTNERS

8
PUBLIC CLOUDS

15
CLOUD ON-RAMPS

16,613
INTERCONNECTIONS

11
OPERATIONAL DATA CENTRES

C1 Canberra
19 Battye Street
Bruce ACT 2617

M1 Melbourne
826 Lorimer Street,
Port Melbourne
VIC 3207

M2 Melbourne
75 Sharps Road
Tullamarine
VIC 3043

M3 Melbourne
Indwe Street,
West Footscray
VIC 3012

P1 Perth
4 Millrose Drive
Malaga WA 6090

P2 Perth
11 Newcastle Street
Perth WA 6000

AWARDS AND CERTIFICATIONS

Frost & Sullivan

2022	Winner Australian Data Centre Services Company of the Year
2021	Winner: Australian Data Centre Services Company of the Year
2020	Leader: Australian Data Centre Services Radar Report
2019	Winner: Visionary Innovation Leadership Award, Global Data Centre Infrastructure and Operations
2017	Winner: Data Centre Services Growth Excellence
2016	Winner: Data Centre Services Growth Excellence Leadership Award
2014	Winner: Australia Data Centre Service Provider of the Year Award APAC Business Awards

APAC Business Awards

2021	Winner: Australia's Most Reliable Data Centre Provider Australian Business Awards

Australian Business Awards

2020	Winner: Sustainable Company of the Year Uptime Brill Awards, Asia-Pacific

AFR/Boss Innovation Awards

2021	#10 Most Innovative Technology Companies

Uptime Brill Awards, Asia-Pacific

2019	Winner: Best Practices Award - Global Data Centre Infrastructure and Operations Visionary Innovation Leadership Award
2015	Winner: Efficient IT in the Product Solutions category Datacenter Dynamics Awards

Datacenter Dynamics Awards

2018	Winner: Data Centre Operations Team of the Year, Asia-Pacific Winner: Data Centre Operations Team of the Year, Global Winner: Data Centre Design Team of the Year, Global
2014	Winner: S1 Sydney – Innovation in the Mega-Data Centre Deloitte Tech Fast Awards

Deloitte Tech Fast Awards

2014	#1 Deloitte Technology Fast 50 Australia #6 Deloitte Technology Fast 500 APAC #3 Fastest-growing Australian
2017	#5 Highest revenue of Fast 100 companies

Queensland Awards

2016	Winner: AXON – Industrial and Primary Industries category Winner: AXON – Infrastructure and Platforms Innovation of the Year

ARN ICT industry Awards

2017	Highly Commended: Jeff Van Zetten, Head of Engineering and Design – Technical Excellence
2015	Winner: AXONVX – Best Telecommunications Initiative of the Year 2015 Winner: Service Provider of the Year
2014	Winner: Telecommunications Vendor of the Year Winner: Service Provider of the Year

Master Builders Association Excellence in Construction Awards

2018	Winner: B2 – Brisbane – Best commercial building $5 - $50M
2016	Winner: S1 Sydney – Communications Buildings

Lord Mayor's Business Awards

2017	Winner: B2 data centre – Port of Brisbane Award for Investment in Brisbane category

Lord Mayor's Business Awards

2017	Excellence in Data Centre IT Architecture and Design

Uptime Institute Certifications

TIER III DESIGN NEXTDC Limited S1 Data Center August 20, 2013 UPTIME INSTITUTE CERTIFIED

TIER III FACILITY NEXTDC Limited S1 Phase 1A Data Center September 6, 2013 UPTIME INSTITUTE CERTIFIED

TIER III DESIGN NEXTDC Limited M1 Data Center October 25, 2013 UPTIME INSTITUTE CERTIFIED

TIER III DESIGN NEXTDC Limited P1 Data Center December 16, 2013 UPTIME INSTITUTE CERTIFIED

TIER III FACILITY NEXTDC Limited P1 Data Centre, Phase 1A 12 February 2014 UPTIME INSTITUTE CERTIFIED

TIER IV FACILITY NEXTDC Limited P2 Perth, Day 1, Data Hall 1 (Level 3) Valid Until 7 September 2022 UPTIME INSTITUTE

TIER IV FACILITY NEXTDC Limited S2 Sydney, Data Hall 8, Phase 1 Valid Until 18 September 2022 UPTIME INSTITUTE

TIER IV FACILITY NEXTDC Limited B2 Brisbane Phase 1 29 September 2017 UPTIME INSTITUTE CERTIFIED

TIER IV DESIGN NEXTDC Limited S3, Phase 1 Expires 16 August 2023 UPTIME INSTITUTE CERTIFIED

TIER IV FACILITY NEXTDC Limited M2 Melbourne Phase 1 19 December 2017 UPTIME INSTITUTE CERTIFIED

TIER IV DESIGN NEXTDC Limited B2 Brisbane Expires 4 April 2019 UPTIME INSTITUTE CERTIFIED

TIER IV DESIGN NEXTDC Limited M2 Melbourne Expires 2 November 2019 UPTIME INSTITUTE CERTIFIED

TIER IV DESIGN NEXTDC Limited S2 Sydney Expires 21 May 2021 UPTIME INSTITUTE CERTIFIED

TIER IV DESIGN NEXTDC Limited P2 Perth, Stages 1 and 3 Expires 25 June 2022 UPTIME INSTITUTE CERTIFIED

TIER III DESIGN NEXTDC Limited C1 Expires 1 November 2023 UPTIME INSTITUTE CERTIFIED

TIER III OPERATIONS NEXTDC Limited P1 Data Centre, Phase 1A Expires 30 June 2024 UPTIME INSTITUTE CERTIFIED GOLD

TIER III OPERATIONS NEXTDC Limited S1 Data Centre, Phase 1A Expires 24 June 2024 UPTIME INSTITUTE CERTIFIED GOLD

TIER IV OPERATIONS NEXTDC Limited M2 Melbourne Phase 1 Expires 15 August 2022 UPTIME INSTITUTE CERTIFIED GOLD

TIER IV OPERATIONS NEXTDC Limited B2 Brisbane Phase 1 Expires 21 August 2021 UPTIME INSTITUTE CERTIFIED GOLD

Certifications and Global Standards

Certified System

ISO 27001:2013

Information Security Management System (ISMS) certification (S1, S2, B1, B2, M1, M2, P1, P2, C1 and Head office)

Certified System

ISO 14001:2015

Environmental Management System certification (S1, S2, B1, B2, M1, M2, P1, P2, C1 and Head office)

Certified System

ISO 9001:2015

Quality Management System certification (S1, S2, B1, B2, M1, M2, P1, P2, C1 and Head office)

Certified System

ISO 45001:2018

Occupational health and safety management systems (S1, S2, B1, B2, M1, M2, P1, P2, C1 and Head office)

AICPA SOC

SOC 1/SOC 2

Suite of assurance reports from the AICPA issued to provide assurance on system-level controls operated as a data centre service organisation.

PCI DSS COMPLIANT

PCI-DSS

Payment Card Industry Data Security Standard certification issued scope of information security controls operated as a data centre service provider.

Energy and sustainability certifications

Climate Active

Australian Government, Climate Active certified for carbon neutrality

LETTER FROM THE CHAIRMAN AND CEO

We are very pleased to present the NEXTDC FY22 Annual Report, covering the 12-month financial reporting period ending 30 June 2022. This year's report highlights another year of robust growth and performance against key metrics.

Our national digital infrastructure platform has demonstrated critical resilience against a backdrop of substantial domestic and international disruption.

Strong business performance

In FY22 we recorded strong growth across our key financial metrics, with data centre services revenue and underlying EBITDA both up, by 18% and 26% respectively. This sustained scale and earnings growth is underpinned by several factors, including recurring revenue from long-term customer contracts and the impressive performance of our second-generation facilities.

Meanwhile, customer numbers grew by 106 (7%) to 1,613, and interconnections rose by 1,895 (13%) to 16,613, representing 7.7% of recurring revenue.

These results highlight the increasing use of hybrid cloud and connectivity, both inside and outside the data centre, as customers expand their ecosystems, bolster resilience planning and elevate their focus on security and sovereignty challenges. Pleasingly, the growth in the Company's ecosystem is also helping to drive higher margins and improve customer retention.

Driving the digital economy

NEXTDC is building tomorrow's digital infrastructure today, to help Enterprise and Government customers realise success in the digital revolution. We are the bridge that enables humans and technology to interact as well as interconnect reliably, securely and sustainably.

We play a critical role in helping organisations thrive in the digital economy and prepare for a future where change is a constant.

The fourth industrial revolution

We live in an information economy fuelled by data, the currency of our digital age. Today, interconnected infrastructure connects everyone, everywhere, to everything. This is the new digital reality – the fourth industrial revolution.

This takes adoption of digital services to the next level. It introduces smart, autonomous systems, managing ever-increasing volumes of data. Modern businesses are increasingly powered by the cloud. Technology is utilised in interconnected environments leveraging big data, artificial intelligence (AI) and the Internet of Things (IoT) as drivers of growth.

This revolution is enabling the reinvention of entire industries and society. Technology is now expected to make organisations more flexible and agile, as well as creating new levels of productivity, sustainability and innovation.

Industry growth tailwinds

Organisations continue to lean heavily on cloud technologies and they have proven particularly effective when helping weather the ongoing disruption brought on by a global pandemic.

Cloud enables flexibility and agility needed to address constant change which is why the worldwide infrastructure-as-a-service (IaaS) market was forecast by Gartner to grow a staggering 41.4% in 2021, to US$90.9 billion (up from $64.3 billion in 2020).

↑18% DATA CENTRE SERVICES REVENUE

↑7% CUSTOMER NUMBERS

↑26% UNDERLYING EBITDA

The hybrid digital enterprise

Organisations are discovering the need to be responsive in an evolving landscape. We are seeing new ways of thinking and learning in how people, communities and commerce interact. The best way for organisations to capitalise on these trends is by embracing elastic business processes that enable rapid pivots to manage disruption.

The hybrid digital enterprises of the future are intertwined with the concept of hybrid IT; the efficient allocation of physical and virtual IT resources to efficiently enable capability when and where it is needed.

These trends have accelerated exponentially over the past two years. A study by 451 Research found that since the start of the pandemic, 84% of organisations now acknowledge that Hybrid IT will be a part of their business model.

The workplace reimagined

Many organisations are challenging the very concept of the workplace, rebuilding their operating model while reassessing employee and customer expectations. Key emerging themes include the desire for flexibility, convenience and ease of doing business.

We believe the organisations that will succeed will be the ones that maintain the balance between optimising operational efficiency in the present and making clever investments for the future.

As organisations look to better connect their people to data, we will continue to see a move away from legacy in house on-premises data centres, to more sustainable and secure colocation. Gartner reports that 85% of organisations will be cloud-first by 2025.

Cloud connectivity – the key to unlocking Hybrid

When it comes to building an elastic enterprise, interconnection is one of the most essential elements. A connection-rich strategy, as enabled by our powerful AXON virtual platform, allows organisations to break through traditional networking barriers to accelerated growth and innovation.

Our digital ecosystem comprises a diverse and rapidly growing network of partners, service providers and networks, including most of the world's leading technology companies such as AWS, Microsoft and Google to name a few.

In FY22 we announced the launch of our fourth AWS Direct Connect interconnection platform at our S2 Sydney data centre, bringing ultra-low-latency connectivity to the world's largest cloud platform. This is in addition to earlier announcements that we had enabled Australia-wide access to Google Cloud, via a new interconnection platform at M2 Melbourne.

Sustainability: Targeting net zero IT

We are committed to building digital infrastructure that is reliable, secure and energy efficient. We have prioritised both the product of and procurement of renewable energy through increased engagement with our energy providers on securing power from sustainable generation.

During FY22 we saw a 188% growth of new customers selecting our NEXTneutral offering, a simple tick-a-box solution that enables our customers to offset carbon emissions from their IT footprint in our facilities. It allows them to make simple, effective progress towards their own sustainability goals.

NEXTneutral builds on our commitment to sustainability and our success of being accredited 100% carbon neutral for our own corporate operations, certified under the Australian Federal Government's Climate Active program.

LETTER FROM THE CHAIRMAN AND CEO

World-leading data centre technology innovation

During this reporting period, we were proud to announce our partnership with EngineRoom, an Australian specialist high-performance computing service provider, to bring world-leading liquid immersion cooling solutions to the Australian market.

This new revolutionary technology significantly increases the output and energy efficiency of data-intensive compute, when compared to traditional air-cooling. The technology is already driving significant improvements in server performance, lowering the cost base for end users, as well as reducing carbon emissions.

Our safety-first culture

At NEXTDC, safety is everybody's responsibility. We aim to provide and maintain a safe and healthy working environment for all workers, customers and visitors. People come first, and we are passionate about keeping safety front of mind in everything we do.

In FY22 we reduced our Operational Total Recordable Injury Frequency Rate (TRIFR) from 5.7 (July 2021) to zero (June 2022), an outstanding effort from all our operational and customer service teams. Working closely with our construction partners, we have also reduced our capital works project TRIFR from 15.0 to 10.0.

We continue looking for new ways to achieve and sustain our Safety First corporate goal of zero injuries both in our workplace and those of our construction partners.

DTA Certified Strategic to secure sovereign data

Data security and sovereignty has moved to the forefront of the digital transformation conversation. As cloud migration accelerates, there is rising urgency around managing the risk, compliance and business continuity challenges associated with keeping data wholly within sovereign ecosystems such as NEXTDC's.

In FY22, we were pleased to announce our certification by the Australian Federal Government's Digital Transformation Agency (DTA) as a Certified Strategic (Enclave) hosting provider of data centre services.

Certified Strategic status is the highest level of certification attainable and recognition of our alignment with the highest certification standards assuring Federal, State and local government organisations on security and data sovereignty issues.

Capital works advancement in major cities

Despite pandemic restrictions and record rainfall impacting construction activity during FY22, we reached several major development milestones, whilst aiming to maintain the safest possible working environments.

We reached the 'topping out' milestone on Stage 1 of the S3 Sydney data centre on Sydney's lower North Shore. Our largest Sydney facility to-date, and the first of our third-generation data centres, S3 is on-track to deliver critical new capacity while further strengthening secure cloud access, and ultra-low latency interconnection in the region.

Construction of our M3 Melbourne hyperscale technology campus in West Footscray and our M2 Melbourne expansion works are tracking on-time and on-budget. When complete, these projects will add approximately 250MW of capacity to support future customer requirements.

Expansion into Darwin and Adelaide

In conjunction with the Northern Territory Government, we announced plans to develop a new, world-class data centre in Darwin (D1) which will underpin its 'Digital Territory' strategy and drive the region's future economic and technological capabilities.

We have also secured the rights for an additional and significant land parcel for our second Darwin site (D2). This site is more than 15 hectares and will provide additional capacity for the long-term development of a hyperscale campus designed to serve local defence, space, renewable energy and resources industries.

With multiple new international submarine and local terrestrial cable networks connected to Darwin, NT is rapidly emerging as a gateway for stable, proximate and sovereign secure data centre services interconnecting Australia with Asia South.

Completing our presence in mainland capital cities, we also reached agreement with the South Australian Government to purchase land in Adelaide's CBD. In partnership with the state, A1 Adelaide will become the centrepiece of a high-tech innovation hub including a Mission Critical Operations (MCX) centre.

Delivering Edge access in our regions

In FY22, we announced the launch of our Edge data centre network, with the acquisition of our first regional data centre site in Maroochydore, on Queensland's Sunshine Coast (SC1).

This facility hosts the landing station for the 7,000km Japan-Guam-Australia South (JGA-S) submarine cable and connects to the Sunshine Coast International Broadband Network (SCIBN).

SC1 is the first landing site for a submarine cable outside of Sydney on the east coast. It is estimated that a significant proportion of Australia's Internet traffic will pass through SC1 in the not-too-distant future.

SC1 is the first of what will be a series of our geographically dispersed, Edge data centres enabling low-latency services to regional business and networks across Australia. Led by regional customer requirements, these sites will form edge digital hubs, enabling organisations to seamlessly interconnect their users and systems, with service providers and cloud platforms.

Edge data centres are also perfect for regional data intensive industries, such as mining and mining services that are increasingly applying automation and remote operations through latency-sensitive applications, processing copious amounts of data in real time. They will help to drive innovation, connectivity and growth where previously such access was uncatered for.

Preparing for an exciting new reality

As the world around us continues to evolve rapidly, one thing is clear: digital infrastructure has a mission critical role to play in the new digital economy and so does NEXTDC.

We ended FY22 in an outstanding position. An abundance of current and future customer opportunities means we are well positioned to press into new regions with our customers in FY23 and beyond. We will continue to invest in our people and platform to achieve our goal of being a global leader in the provision of customer-centric data centre services.

NEXTDC is where the cloud lives

AND DIGITAL BUSINESSES INTERCONNECT

On behalf of the NEXTDC team, we would like to thank you for your support, and we look forward to sharing more of these highlights at our upcoming Annual General Meeting.

Douglas Flynn
CHAIRMAN

Craig Scroggie
CEO

ABOUT NEXTDC

VISION AND PURPOSE

NEXTDC's vision is to help enterprises harness the digital age and improving our society through the advancement of technology. Our purpose is to be the leading customer-centric data centre services company, delivering solutions that power, secure and connect enterprise and Government customers.

NEXTDC value proposition and business strategy

NEXTDC is an ASX 100-listed technology company, enabling businesses through customer-focused, innovative data centre, mission critical operations and network solutions.

With a national footprint of 11 highly resilient, certified data centres, NEXTDC provides secure, reliable, high-performance infrastructure solutions in Australia's most cloud-connected data centre network.

Recognised by Frost & Sullivan as Australian Data Centre Services Provider of the Year for the last two years, NEXTDC is Australia's only independent data centre provider operating a nationwide network of Tier III and IV facilities in all major national growth markets. Our planned capital investments involve continuing to build nationally significant and interconnected facilities, including our recently announced projects for Adelaide and Darwin.

Our digital infrastructure platform addresses the rapidly growing demand for next generation data centres that facilitate limitless interconnectivity, high-density power capability, first-class physical security and industry benchmark energy efficiency.

Advanced digital infrastructure platform

Our facilities are recognised globally for their design and operational excellence. Our enterprise-grade facilities are all independently assessed and certified to the highest standards. NEXTDC is the only provider in the Australian market to offer a 100% uptime guarantee for the availability of our full-service digital infrastructure solutions.

We want to ensure that when customers migrate to a NEXTDC facility it is a seamless transition, reducing their cost, risks and operational complexity. With a focus on safety, security and sustainability, we deliver a sovereign secured infrastructure platform for tomorrow's needs.

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HIGHLY RESILIENT, CERTIFIED DATA CENTRES


NEXTDC
Power. Secure. Connect.

SUSTAINABLE DATA CENTRE SERVICES

Organisations need to focus on new ways to sustainably manage the technology and infrastructure required to support the fourth industrial revolution. We continuously seek to be a responsible and ethical data centre partner to our customers. Being the only provider in the country to attain a Climate Active certification for our corporate operations and having the Australian Federal Government's official endorsement of our carbon neutral programs is putting us at the forefront of meeting these challenges.

Market-leading energy efficiency

In FY22, we maintained our commitment to delivering some of the highest levels of operational energy efficiency in the market, an outcome enabled by innovative design, engineering and operational excellence.

Our data centres are certified to globally acknowledged environmental standards. Similarly, our Power Usage Effectiveness (PUE) metrics represent some of the most efficient in the industry and are testament to our drive for continual improvement in this area.

All our facilities are compliant with the industry leading ISO 14001 standard for Environmental Management Systems. Our new Sunshine Coast facility (SC1) is not yet certified ISO 14001 compliant, however the process will be undertaken during FY23.

Targeting net zero operations

Our organisation continues to prioritise sourcing of renewable energy including solar installations at our data centres and engaging with our customers and energy providers on renewable opportunities. Our goal is to reach 100% renewable energy in our operations by 2030.

We seek to take action to minimise carbon emissions directly, and where we can't avoid it, we procure carbon credits for our business through the Qantas Future Planet (QFP) program.

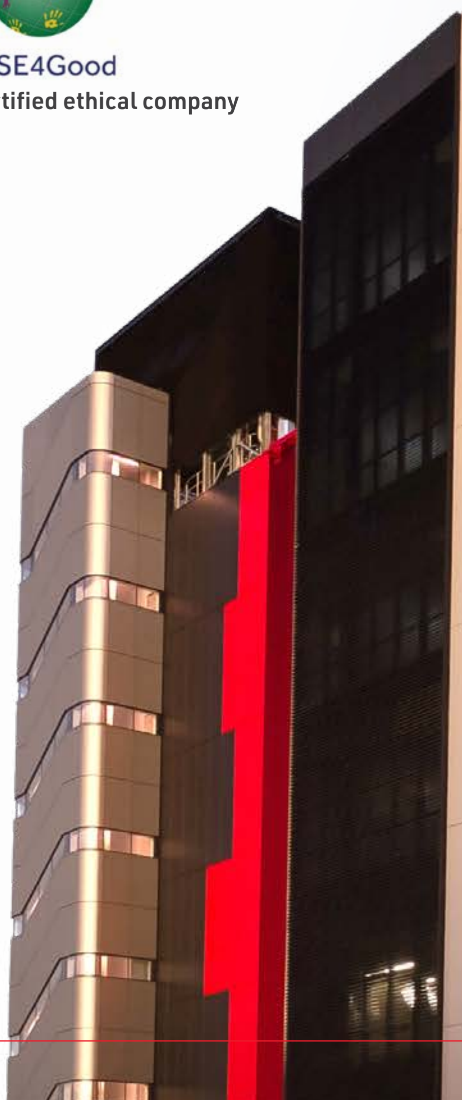
We have been a Principal Partner to the Melbourne Renewable Energy Project (MREP) since its inception in 2014 – a first for a data centre operator in our region. MREP's 80MW Crowlands Wind Farm in Victoria began delivering power to the grid in January 2019.

Expansion of NEXTneutral

During FY22, we saw a 188% growth in the number of new customers opting in to NEXTneutral, a solution that enables our customers to offset carbon emissions from their IT footprint in our facilities. Critically, our customers can opt-in to NEXTneutral with the touch of a button through our ONEDC portal and pay less than the cost of a coffee per kW of power for meeting their own sustainability goals.

FTSE4Good
Certified ethical company

M1 Sky SIgnage Solar



1.38

NATIONAL PUE AVERAGE
(POWER USAGE EFFECTIVENESS)

NEXTDC'S BUSINESS FEATURES

Connecting to cloud in world-class facilities

NEXTDC is where the cloud lives and digital organisations connect. Our partner marketplace comprises the country's largest independent ecosystem of carriers, cloud and ICT service providers, enabling our customers to connect directly with the critical services they need.

NEXTDC's carrier and vendor neutrality is the foundation of the Company's channel-preferred sales model. Since 2010, we have dedicated ourselves to helping our customers build faith in the continuity of their digital infrastructure which helps them reach new markets, engage more customers and support their people more efficiently.

Our expanding nationwide data centre footprint allows customers and partners to access nationally standardised services and benefit from their unified management to ensure quality, consistency, reliability and availability, in line with our 100% uptime guarantee.

Innovation, engineering, and design excellence

NEXTDC is recognised for its global industry leadership in data centre engineering and design, customer experience and energy efficiency. We maintain our Uptime Institute (UI) Tier III certification for our first-generation facilities, and Tier IV certification for the design, construction and operations for our second-generation sites.

The design certifications verify that NEXTDC data centres are built to operate in line with globally recognised standards, demonstrating the operational excellence of our national footprint. This provides our customers with the assurance that NEXTDC is the right provider to reduce risks associated with unplanned outages and business downtime.

Streamlined nationwide service

A key competitive advantage for NEXTDC is the Company's nationwide data centre footprint. We are located across five of Australia's capital cities: Brisbane, Sydney, Canberra, Melbourne, and Perth with Adelaide and Darwin to follow in FY23. Our first regional edge data centre started operations in Maroochydore on the Sunshine Cost (SC1) in this reporting period.

This national digital infrastructure platform allows organisations to engage us nationally under one agreement, offering consistent pricing, management, service levels and a seamless customer experience in every location.

Market-leading expertise

Our award-winning in-house engineers and operational teams are recognised as leaders in the Australian data centre industry, both for their technical expertise and customer engagement. The same engineers who design and build our facilities also work collaboratively with our customers to help them create design solutions customised to their unique requirements.

Our safety-first culture

We aim to provide and maintain a safe and healthy working environment for all workers, customers and visitors. People come first, with safety at the heart of everything we do.

We keep safety front of mind and adopt safety excellence as an operational imperative. Our culture, supported by our corporate values, embraces the concept that safety is everyone's responsibility. Having achieved ISO 45001 (Health and Safety) certification, our safety culture is also documented and audited.

Our safety management system addresses the unique hazards and processes associated with operating a data centre. NEXTDC have a dedicated in-house WHS team who oversee both operational and developmental aspects of our business.

We empower all employees and contractors to act in a safe manner and to be an active advocate for the safety of others. We seek out global best practices through engagement with team members, customers, industry forums, WHS peak bodies and industry-leading principal and specialist contractors.

We continue looking for new ways to achieve our Safety First corporate goal of zero injuries in the workplace and with our construction partners.

Data protection, security and compliance

The Australian Privacy Act and other regulatory frameworks recognise and seek to safeguard personal information and sensitive data placing comprehensive compliance obligations on Government, enterprises and service providers.

NEXTDC collects a minimal amount of customer Personally Identifiable Information (PII), limited to activities such as account and contact management, marketing and to permit entry to its facilities. There is a clear delineation between the data that NEXTDC holds as part of managing its business and the data that its customers hold or process as part of their operations. NEXTDC does not interact with or manage any data stored on its customers' equipment.

NEXTDC seeks to help customers meet these challenges and their needs for data sovereignty. All of our facilities, except for the recently acquired SC1 Edge data centre, have been independently assessed and certified by the Digital Transformation Agency (DTA) as Certified Strategic (Enclave).

With security concerns top of the list for most organisations, we have built a federated and highly sophisticated security practice that is supported by highly sophisticated biometric and surveillance security technology. Each of our data centres comprises multi-zone security layers.

We operate in compliance with globally recognised best practice standards in critical areas including security (ISO 27001, SOC1, SOC2, PCI DSS and SCEC), environmental sustainability (ISO 14000), workplace health and safety (ISO 45001), quality assurance (ISO 9001), IT service management (ITIL), energy efficient built environments (NABERS) and operational sustainability (Uptime Institute Tier IV Gold). We comply with the Clean Energy Regulator's annual reporting requirement on National Greenhouse Gas and Emissions (NGER Report) and continue to report to the Workplace Gender Equality Agency (WGEA). Our Modern Slavery Statement is issued annually in complying with the requirement of *Modern Slavery Act 2018* (Cth.).

We have built a federated and highly sophisticated security practice

750+

TRUSTED ECOSYSTEM PARTNERS

SUPPORTING OUR PARTNERS AND CUSTOMERS

Our partner ecosystem is one of the largest independent networks of IT service providers, carriers and cloud providers in Australia.

A key competitive advantage for NEXTDC is our diverse ecosystem of value-adding partners from around Australia and the world. We have Australia's largest ecosystem of partner organisations, including a broad range of local and international cloud platforms, as-a-Service providers, independent software vendors, advisory firms, telecommunications carriers and other connectivity partners. We also continue to work with our partners on joint marketing and lead-generation opportunities.

Our partner ecosystem includes the likes of:

- Global public cloud providers: AWS, Microsoft, Google, IBM, Oracle, OVHcloud and Alibaba
- Large IT services providers: NTT Group, Atos, DXC, NEC, IBM, Logicalis, Data#3, Interactive, Infosys, Wipro
- Technology advisory firms: Accenture and Deloitte
- Telecommunications providers: Optus, Telstra, Vocus, TPG, AT&T, PCCW, Aussie Broadband, Spirit, Uniti, Superloop and CenturyLink
- Specialist cloud and managed service providers: Netskope, Iron Mountain, Over the Wire, AUCloud, Blue Connections, Nexthop, ZettaNet, Teradata, Cloud Plus and Somerville Group.

1,613
CUSTOMERS

Connectivity hubs

Our partner ecosystem is one of the largest independent network of IT service providers, carriers and cloud providers in Australia. Because we're vendor-neutral, our customers have the flexibility to source and connect to a much wider range of providers.

As well as the direct physical connections offered within NEXTDC facilities, our AXON virtual interconnection platform allows our customers to unify and seamlessly interconnect to all the digital services they need. This approach, enables better performance, scalability and flexibility.

Interconnection – the glue of the digital economy

We provide our customers and partners access to Australia's largest network of physical and virtual connectivity options. Our data centres are home to 15 direct on-ramps to the world's largest cloud platforms, as well as all the major carriers and the biggest cloud solutions providers in the country.

The entire NEXTDC data centre footprint is directly connected to Asia and the world, further delivering on our vision to be the infrastructure platform that enables Australia's digital economy.

Data Centre-as-a-Service solutions

Our hyperscale colocation services consist of secure, high-density data centre outsourcing solutions. We seek to deliver the highest possible levels of resilience and reliability to support our customers, enabling them to leverage our facilities and resources as an extension of their own business.

Our DCaaS model offers scalability and flexibility throughout the infrastructure lifecycle, with solutions ranging from quarter racks to multiple contiguous racks to large custom private suites or caged areas for specific requirements.

Centralised asset management

Our ONEDC customer portal is a platform that provides our partners and customers with comprehensive telemetry for their NEXTDC data centre footprint. Not only does it enhance customer experience, but it also dramatically improves administrative efficiency through self-service features and automation.

ONEDC aggregates the tools our customers require to efficiently manage their infrastructure and services. Service requests, such as booking a car park, a tour, securing meeting room or remote rack access or technical support, as well as real-time temperature and humidity monitoring and reporting are consolidated and viewable in one location.

Our customers and partners appreciate that the platform is continually being improved based on their feedback. Users can now tick a box to opt into our NEXTneutral carbon offset program as well as placing a service order to activate NEXTDC's free e-Waste disposal service on decommissioned equipment.

Outstanding professional services

Our Remote Hands service offers high quality, practical on-the-ground technical assistance - freeing customers to focus on their core business. Our technicians are highly skilled, extensively certified and with many having received awards and accreditations from such bodies as the Uptime Institute and DataCenter Dynamics.

Remote Hands services support customers throughout their infrastructure lifecycle, from planning, project management and migration stages, all the way through to the day-to-day support of their infrastructure. They are the eyes and hands often needed to perform non-system-invasive tasks that ensure daily infrastructure and interconnection operations run smoothly.

Our data centres are home to 15 direct on-ramps
TO THE WORLD'S LARGEST CLOUD PLATFORMS

FOCUS ON OUR PEOPLE AND CULTURE

84%
EMPLOYEE SURVEY PARTICIPATION RATE

GOAL TO ACHIEVE BY 2030
40:40:20
WOMEN : MEN : FLEXIBLE

Living our values

Our Company values are the foundations of the business. They are a clear outline of the behaviours our people aspire to, every day. When faced with a challenging situation it is our values that guide us in making the right decision.

We recognise, reward, hire and promote our people based on their alignment to our six values.

Giving back to communities

Our platform is growing contemporaneously with the acceleration of digital transformation across organisations and industries. Growth is important, but it must not come at a cost to individuals or communities. We're committed to giving back to the community and our corporate social responsibility programs are our way of doing this. a strong testament to this belief.

Our 'Live to Give' program allows our team and the company to give back to our communities. Our Corporate partnerships with The Smith Family, UN Women, SolarBuddy and The Red Cross, further underscore our commitment to giving back. We are also part of the Pledge 1% movement and have an active workplace giving program with dollar-for-dollar donation matching for partner charitable organisations.

In FY22, our people participated in an initiative to assemble solar lights as part of the SolarBuddy initiative, aimed at improving the lives of families living in energy poverty.

In FY22, we also increased the number of paid volunteer days for every employee from one to three days and introduced a paid emergency management leave benefit of up to four weeks. These benefits served a critical purpose when recent extreme weather events across Australia affected several team members.

To further innovate, we encouraged employees to take up our offer of additional paid volunteer days to participate in skills-based volunteering opportunities such emergency response, marine rescue and bushfire brigades.

Fostering diversity and inclusion

At NEXTDC, we continue to build upon a culture of respect, and belonging, aiming to engrain inclusion and diversity in our culture. We believe that continuing to focus on diversity this will allowed us to drive innovation and create further competitive advantage.

Currently, 33% of NEXTDC's workforce is female with a strong representation of mature workers. Our aim is to achieve a 40:40:20 ratio; meaning 40% men, 40% women, 20% flexible across our employees, management, and the Board by 2030. There are functions in the business that reflect female participation rates at or above 50% (such as in the Legal and Compliance, Marketing, Finance and HR functions). The Company is committed to achieving gender diversity in the workplace and we are making progress in many ways through our inclusive hiring practices, opportunities for 'stretch' assignments and career advancement, and the mentoring and development of female talent.

We're a signatory to the 40:40 Vision statement and have adopted targets to achieve gender balance at executive level by 2030. The Company also demonstrates gender diversity at Board level, where 29% of our Board members are female. Gender diversity remains a key focus and priority for the Company at all levels.

In FY22 we focused on a number of diversity priorities including awareness of unconscious bias, disability inclusion, mental health and wellbeing, gender targets, supporting LGBTQIA+ and furthering other social and welfare initiatives.

To cement our culture of inclusion, all staff were invited to participate in 'Unconscious Bias' workshops in FY22 to highlight the importance of respecting and embracing diversity. This training has been included as part of our mandatory onboarding processes moving forward.

We have worked hard to develop a positive culture that embodies a diverse range of skills, experiences and perspectives. This allows each of us to play to our strengths, complement each other's capabilities, celebrate each other, and champion bright ideas. Our success in this area is reflected in our 84% participation rate and 72% engagement rate with very positive feedback in the areas of Safety, Community Engagement and Diversity & Inclusion.

Our parental leave program is ahead of most organisations, with primary caregivers given up to 20 weeks paid leave. Our paid Parental Leave Policy which included birth or adoption of a child has been further extended in FY22, to include staff members who endured the tragedy of still birth or infant death as well as where adoption or surrogacy is involved. We also offer 10 keeping-in-touch days for staff on parental leave to ensure a smooth and comfortable transition back to the workplace.

CUSTOMER FIRST

We are obsessed with delivering the world' s best customer experience

ONE TEAM

We are an elite team working together with super stars playing in every position

BRIGHT IDEAS

The best way to predict the future is to create it

PURSUIT OF EXCELLENCE

We are relentless in our pursuit of excellence, not perfection

STRAIGHT TALK

We don' t talk bull, we have crucial conversations, we disagree and then we commit

FRUGAL NOT CHEAP

We spend our money where it matters the most

OUR CORPORATE VALUES

MARKET GROWTH DEMONSTRATED BY NEXTDC

	30 June 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
Economic Indicators					
Customers [1]	**1,613**	1,507	1,324	1,145	933
Cross Connects [2]	**16,613**	14,718	13,051	10,972	8,671
Capacity and Utilisation					
Operating facilities [3]	**11**	9	9	9	7
Installed capacity [4]	**113.9MW**	95.8MW	78.8MW	58.4MW	46.4MW
Contracted customer utilisation [5]	**83.0MW**	75.5MW	70.0MW	52.5MW	40.2MW
% of installed capacity	**73%**	79%	89%	90%	87%
Billing customer utilisation [6]	**72.8MW**	65.4MW	52.8MW	37.7MW	34.3MW
% of installed capacity	**64%**	68%	67%	65%	74%

1. Customers: the number of counterparties (including partners) which have executed a Master Services Agreement with NEXTDC. Historical customer numbers have been updated to reflect a data cleansing exercise undertaken in FY22 as part of an ERP replacement project.
2. Cross Connects: the number of both physical and elastic cross connections.
3. Operating Facilities: The number of facilities which were operational at the reporting date.
4. Installed Capacity: MW built includes the designed power capacity of the data halls fitted out at each facility. Further investment into customer related infrastructure, such as backup power generation, cooling equipment or rack infrastructure may be made in line with customer requirements.
5. Contracted Customer Utilisation: Total of all sold capacity in MW including customers with deferred contract commencement dates.
6. Billing Customer Utilisation: Total of all sold capacity in MW where the service has commenced.

DIRECTORS' REPORT

The Directors present their report on the consolidated entity (referred to hereafter as 'NEXTDC', the 'Company' or the 'Group') consisting of NEXTDC Limited and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were Directors of the Company during the year, and up to the date of this report:

- Douglas Flynn
- Craig Scroggie
- Stuart Davis
- Dr Gregory J Clark AC
- Stephen Smith
- Jennifer Lambert
- Dr Eileen Doyle

Principal activities

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

COVID-19 response

Over the past two years, NEXTDC has been focussed on managing its operations, construction programs and employees through the COVID-19 pandemic. A strong Business Continuity Management program, supported by a robust Risk Management Framework assisted our team to both identify and mitigate many of the risks that this presented.

Throughout FY22, NEXTDC has continued to be fully compliant with all health guidelines issued by relevant Australian health authorities both at State and Federal level. NEXTDC continues to track COVID-19 cases amongst team members (and visitors when reported). A policy of physical distancing in all operational environments has also been a key part of the Company's pandemic management plan.

As a level of uncertainty on the future of COVID-19 endures, NEXTDC's approach to the pandemic is to continue to adjust its operations to the 'new normal' with a focus on team safety including the mental health strain that such an ongoing health threat has had on our communities and loved ones. We intend to continue to optimise our investments in the mental health of our team in coming years.

NEXTDC's COVID Management Committee has continued to support and keep the NEXTDC teams informed and coordinated in implementing Government and health directives and respond to the ongoing changes that the 'new normal' has brought to their work environment. This has included establishing online communities and initiatives that maintained a sense of social connection and common purpose in managing these challenges at work and home.

Operating review

During the year, the Company has:

- Substantially completed the first building of S3 Sydney to support continued customer growth, with three new data halls available for customers, increasing built capacity in NSW/ACT from 48MW at the end of FY21 to 60MW at the end of FY22
- Continued expansion works at its second Melbourne site, M2 Melbourne, with 6MW of new capacity being added. Target capacity has now increased from 60MW to 100MW
- Progressed the development of the M3 Melbourne facility, on target to deliver 13.5MW of built capacity during 1H23

Financial review

- Revenue of $291.0 million vs upgraded guidance range of $290 – 295 million (FY21: $246.1 million)
- Underlying EBITDA[1,2], of $169.0 million vs upgraded guidance range of $163 – 167 million (FY21: $134.5 million)
- Capital expenditure of $604.8 million vs guidance range of $530 – 580 million (FY21: $301 million)
- Statutory net profit/(loss) after tax of $9.1 million (FY21: $(23.6) million)
- Operating cash flow of $117.2 million (FY21: $133.2 million)
- Cash of $457 million at 30 June 2022
- Successfully refinanced its existing $1.85 billion senior debt facility to a new aggregate limit of $2.5 billion
- Contracted 7.5MW of new capacity

Financial performance

NEXTDC achieved a number of significant milestones and enjoyed a period of strong growth in the 12 months to 30 June 2022.

The Group continued to experience significant growth in the number of customers, orders and data centre services revenue. As at 30 June 2022, NEXTDC was billing for 72.8MW (2021: 65.4MW) of capacity.

1. EBITDA is a non-statutory financial metric representing earnings before interest, tax, depreciation and amortisation. Non-statutory financial metrics have been extracted from the audited accounts.
2. FY22 underlying EBITDA excludes costs related to review works into potential data centre investments in Asia, acquisition opportunities, investment in associates as well as the impact of IFRIC's guidance in relation to customisation and configuration spend on cloud software platforms.

DIRECTORS' REPORT CONTINUED

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

	Segment revenues		Segment EBITDA	
	30 June 2022 $'000	30 June 2021 $'000	**30 June 2022 $'000**	30 June 2021 $'000
Vic	**101,870**	84,437	**81,849**	64,637
NSW/ACT	**135,614**	115,692	**98,507**	81,595
Qld	**27,467**	23,553	**21,211**	17,487
WA	**23,423**	19,944	**16,725**	13,711
Other	**2,670**	2,439	**(2,279)**	484
Total segment revenue/EBITDA	**291,044**	246,065	**216,013**	177,914

Net profit/(loss) after tax was $9.1 million (2021: $(23.6) million).

Non-statutory underlying earnings before interest, tax, depreciation and amortisation (EBITDA) improved from $134.5 million in FY21 to $169.0 million in FY22. Reconciliation of statutory profit to EBITDA and underlying EBITDA is as follows:

	30 June 2022 $'000	30 June 2021 $'000	Change %
Net profit/(loss) after tax	**9,139**	(23,631)	
Add: finance costs	**49,269**	63,577	
Less: interest income	**(1,757)**	(3,932)	
Add/(less): income tax expense/(benefit)	**(10,797)**	—	
Add: depreciation and amortisation	**106,853**	97,031	
EBITDA	**152,707**	133,045	15%
Add: expensed SaaS costs previously capitalised	**3,071**	652	
Add: Asian market review expenses	**2,410**	841	
Add: costs expensed in relation to acquisition opportunities	**1,049**	—	
Add: share of loss on investment in associate	**1,879**	—	
Add: impairment of investment in associate	**7,921**	841	
Underlying EBITDA	**169,037**	134,538	26%

Funding and financial position

In FY22, NEXTDC completed a refinance of its existing $1.85 billion Senior Debt Facilities, including an upsize of $650 million to a new aggregate limit of $2.5 billion, together with material pricing, flexibility arrangements and extended tenors. The additional debt capacity is expected to provide NEXTDC with additional headroom to fund its medium to longer term growth aspirations.

Details of the new facility limits are summarised as follows:

- $800 million – Term Loan Facility
- $600 million – Capital Expenditure Facility
- $800 million – Revolving Credit Facility (multi-currency)
- $300 million – Term Loan Facility

The $300 million Term Loan Facility was drawn down in December 2021.

Cash and cash equivalents at 30 June 2022 totalled $457 million (2021: $652 million), which combined with the undrawn senior syndicated debt facility of $1,400 million, gave the Group access to $1,857 million in available liquidity at 30 June 2022.

NEXTDC's balance sheet position is underpinned by approximately $3.0 billion in total assets.

Sales performance

We have continued to focus our sales strategy on partnering with providers of infrastructure, platforms and packaged services. The flexibility we offer 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 1,613 at 30 June 2022 (up from 1,507 at 30 June 2021).[1]

During the year NEXTDC increased its contracted utilisation by 10% from 75.5MW at the end of FY21 to 83.0MW at the end of FY22.

Our contracted utilisation in Victoria increased by 5.3MW to 33.3MW during the period from 1 July 2021 to 30 June 2022, with contracted utilisation accounting for 83% of built capacity (40.0MW).

NSW/ACT's contracted utilisation increased by 1.2MW during FY22 to 42.3MW as at 30 June 2022, with contracted utilisation accounting for 71% of built capacity (60MW).

In Queensland contracted utilisation grew 0.4MW during FY22 to 3.5MW as at 30 June 2022, with contracted utilisation accounting for 55% of built capacity (6.4MW).

WA's contracted utilisation increased by 0.6MW to 3.8MW during the period from 1 July 2021 to 30 June 2022, with contracted utilisation accounting for 51% of built capacity (7.5MW).

We are earning revenue from numerous products including whitespace, rack ready, project fees and value-added services. During FY22 interconnection generated 7.7% of total recurring revenue.

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

Continuous innovation

As an organisation in Australia's rapidly growing IT infrastructure sector, it is essential that NEXTDC seek the continuous development and innovation of its systems, products and services.

All data centres have achieved and continue to be certified to ISO 27001 Information Security Management System, ISO 9001 Quality Management System, ISO 14001 Environmental Management System and most recently the ISO 45001 for Workplace Health and Safety Management System. These certifications confirm that NEXTDC has an integrated management system that provides a systematic approach to risk management, protection of company information and continuous improvement. An exception to this is NEXTDC's newly acquired edge data centre in the Sunshine Coast (SC1). Though already operated in line with national standards, SC1 has not yet been certified. Our intention is to complete this process within the next 18 months, where this is applicable to the service we provide.

The Group has continued to develop its internal systems and processes in FY22, with the ongoing implementation of online platforms to automate and integrate the management of the customer lifecycle as part of the services we provide.

Ongoing customer demand has seen NEXTDC develop innovative ways to augment data centre capacity beyond the original designs, with the addition of higher power densities and the development of additional data halls. Even though power consumption is increasing as our facilities become more populated, their overall energy efficiency has improved over time through economies of scale and increased utilisation of existing infrastructure.

NEXTDC has a continuous process of testing and tuning its data centres to optimise energy efficiency and stability to ensure Power Usage Effectiveness (PUE) targets are achieved. The average PUE throughout the year across all NEXTDC data centres is now 1.38, exceeding our target of 1.40 and comparing very favourably with the Australian and Global industry average.

Energy efficiency and sustainability remain key areas of focus for the Group. Our data centre facilities have been engineered to deliver extremely high energy efficiency, lowering the carbon footprint for our customers. Our M1 Melbourne and S1 Sydney data centres were the first data centres in Australia to achieve a National Australian Built Environment Rating System (NABERS) 5-Star rating for energy efficiency.

As facilities approach full capacity and incremental cooling infrastructure is no longer needed, rooftop solar becomes an option at some of these sites. NEXTDC owns and operates its own solar array on the roof of its M1 data centre and has also been a Principal Partner to the Melbourne Renewable Energy Project (MREP) since its inception in 2014. The installation of a solar panel array on the S1 rooftop is now complete and will be operational in the next few months. Solar panels at NEXTDC's P1, which has reached its full mechanical capacity will commence construction in August 2022. P1 along with M3 solar panels installed as part of its construction are scheduled to be online in Q2 FY23.

Business strategies and prospects for future financial years

The Group continues to develop its pipeline of sales opportunities across each of its operating markets. Based on the number of positive utilisation trends such as cloud and mobile computing, growth in internet traffic and data sovereignty, we expect that demand for carrier and vendor neutral outsourced data centre services will continue to grow strongly for the foreseeable future.

The Company has a number of strategies to benefit from this growth including but not limited to:

- Expanding its presence in data centre markets where its existing facilities are close to being fully utilised;
- Continuing to sell uncontracted space and power in existing facilities;
- Opportunities for growth beyond the existing data centre footprint; and
- Launch of new products.

Based on the factors listed above, the Group expects its revenue to continue growing in the foreseeable future.

1. Historical customer numbers have been updated to reflect a data cleansing exercise undertaken in FY22 as part of an ERP replacement project.

DIRECTORS' REPORT CONTINUED

Business risks

NEXTDC's risk management framework is an integral component of its corporate governance and central to achieving its strategic and operational objectives.

NEXTDC continues to review its enterprise risks against the Board endorsed Risk Appetite Statement. We have implemented systems and processes to identify risks at an early stage to ensure they are managed accordingly. The responsibilities, objectives, and processes of risk management are described in our internal Risk Management Procedure and guidelines. Further details on NEXTDC's Risk Management Framework can be found in the Company's most recent Corporate Governance Statement which can be located at the Company's website www.nextdc.com.

The following key business risks have remained focus areas, as they can adversely affect the Company's financial performance:

Business Management and Governance

- **Fraud, Bribery and Corruption**: Fraud, bribery or any other unethical behaviour could significantly impact the trust and confidence of NEXTDC's customers, shareholders and other stakeholders. NEXTDC's Board approved Statement of Delegated Authority is embedded within all levels of NEXTDC's business processes. All NEXTDC staff and Directors undergo Code of Conduct training and pursuant to the Company's Whistleblower Policy, employees are encouraged to come forward and report if they see any unethical behaviour.
- **Training and Development**: Operating and maintaining data centres requires highly trained employees and lack of sufficient training and development could result in safety and environmental incidents, poor efficiencies and low morale. Along with the broader Company-wide training and development program, all data centre operations staff receive on the job training and refreshers as required.
- **Technology Advances**: NEXTDC operates in a competitive sector. Any failure to keep up with the latest technology or not having the business systems that supports the scale and pace of business expansion could result in reputational damage and a downturn in customer demand. To mitigate this risk, the Company promotes mutual research and development projects and strategic alliances with its suppliers, regularly attends industry conferences and is a member of the Uptime Institute, an independent thought leader and certification body in IT and data centres. NEXTDC's Business Transformation Program has been established to support initiatives that ensure the business evolves to meet the ongoing needs of its customers.
- **Employee Engagement**: Having an engaged workforce is vital to achieving our strategic objectives. NEXTDC is invested in increasing employee engagement and managing turnover. Among others, NEXTDC's 'The Way We Work' program was established in FY21 to provide ongoing flexibility to our team, recognising there is no one-size-fits-all solution to the way we work. More details on our social sustainability initiatives are noted in the FY22 Environmental Social and Governance Report, which can be located under the Corporate Governance Section of the Company's website www.nextdc.com.

Environment, Work Health, and Safety

- **Workplace, Health and Safety**: NEXTDC recognises health and safety as its highest priority. Employees are NEXTDC's most important assets. Employee health, both physical and mental, is the foundation for the sustainable growth and success of the Company. Our values, the priorities set by our executives and our policies prioritise this issue and reflect that, at NEXTDC, safety is a key element of every engagement with suppliers, customers and in the development and operation of our data centres. Incident prevention is of utmost importance and vital to safety and ultimately, the success of the organisation. All NEXTDC facilities, with the exception of the recently acquired SC1 facility in Sunshine Coast are certified to ISO 45001, WHS Management System certification.

  Throughout FY22, NEXTDC has continued to commit the resources necessary to maintain a safe working environment and ensure the ongoing operation of the business and health of our team. In addition to our COVID-19 response, we have implemented strategies to enhance our workplace safety and mental health awareness. Safety is everyone's responsibility in a safety-first culture. Active management of WHS issues both in the operation of data centres and in their development are mandated and central to creating a culture where it is safe to speak up and report any hazards or incidents. NEXTDC has also sought to implement a process of continual review and improvement through its safety assurance programs with the team's performance and safety initiatives reported to the Board.

  This includes the added focus on mental health. Our strategy for providing a safe workplace also focuses on protecting people from harm by identifying and managing workplace risks to mental health; building capacity to respond and support people experiencing mental ill-health and promoting positive mental health and wellbeing. To further evolve our approach to promoting positive mental health in the workplace and providing support to team members we have trained volunteer Mental Health First Aid Officers (MHFAO) at our facilities who may be able to offer help to someone experiencing a mental health problem. Our MHFAO's have successfully completed a Mental Health First Aid course delivered by an accredited instructor and hold a current Mental Health First Aid Australia certificate. To date, we have 26 volunteer MHFAO's across our sites who are passionate about mental health and supporting their peers.

  As we continue to invest in mental health and team safety, we engaged health services provider Sonder in early FY23 to promote organisational wellbeing and implement additional safety programs. Sonder provides employees and their immediate family members with 24x7 access to medical and mental health and safety related support.

  Our Construction Safety Management System continues to benchmark our safety performance and activities during the construction of our new data facilities. We continue to work closely and share safety learnings with our stakeholders, including customers and suppliers and to align ourselves with industry best practice. Our ultimate goal is zero injuries.

DIRECTORS' REPORT CONTINUED

- **Energy Usage and Emissions**: NEXTDC is dedicated to devising and monitoring the best methods of managing data centres, to ensure energy efficiency and minimise impact on the environment and our natural resources. It is the nature of our business that, as our customer loads increases, so will our own energy usage and emission. Our facilities are designed, engineered, and operated to optimise their energy efficiency. NEXTDC has invested significantly in improving energy efficiencies by focussing on its environmental objectives, operational efficiencies and best in class data centre designs. NEXTDC is committed to each data centre having a target Power Usage Effectiveness (PUE) rating to be as energy efficient as possible. In FY22, we achieved a national average PUE below 1.38 a figure which compares very favourably with the Australian and Global industry average.

  Climate Change: NEXTDC is committed to contributing to the global effort on climate change and supports the shift towards a low carbon economy in line with the Paris Agreement. This is evident in our initiatives on carbon neutrality and embedding climate change risk management across our business processes. We have aligned our response to climate change with the recommendations of the Taskforce on Climate- related Financial Disclosures (TCFD) which is further elaborated below. Our Climate Change Risks and Opportunities are also discussed in detail within our FY22 Environmental, Social and Governance Report, which can be found under the Corporate Governance section of our website www.nextdc.com.

Maintain 100% Uptime Guarantee

- **Unable to Provide Service**: A catastrophic failure or equipment malfunction at a NEXTDC data centre could result in the Company not being able to provide power and cooling to support our customers' equipment, thus breaching our service level agreements and incurring contractual liabilities. To address this risk, all of NEXTDC's data centres are designed and built with sufficient redundancy in place (including redundant paths for power and cooling) to enable components to go off-line and be repaired or maintained without affecting our customers' IT equipment. A sound assurance and maintenance program, periodic recovery testings, in-house design expertise and third-party peer review and certification are among the many controls in place to manage the risks of not being able to meet our 100% uptime guarantee.

Building New Sites/Data Centres

- **Development**: NEXTDC is involved in the development of data centres, including new sites for S3 and M3, as well as the ongoing expansion at M2 and P2. Generally, development projects have a number of risks including (i) the risk that suitable sites or required planning consents and regulatory approvals, including approvals from the local water authority and the local power distribution grid operator, are not obtained or, if obtained, are received later than expected, or are adverse to NEXTDC's interests, or are not properly adhered to; (ii) the escalation of development costs (including the costs of construction and fit out and any associated delays) beyond those originally expected; (iii) unforeseen project delays beyond the control of NEXTDC including for example the impact of the COVID-19 pandemic inclement weather and supply chain challenges; and (iv) non-performance/breach of contract by a contractor or sub- contractor. Increases in supply or falls in demand could influence the acquisition of sites, the timing and value of sales and carrying value of projects.

  To fundamentally manage these risks, NEXTDC has implemented governance and management processes designed to drive consistency in the planning, design, engineering, procurement and project and commercial management for each site.

- **Customer Demand**: Development of new and existing data centres is capital intensive and sometimes undertaken without pre-sales commitment from customers. There is a risk that there will not be enough customer demand to achieve a sufficient return on investment. NEXTDC's business model to become the largest independent, carrier neutral channel ecosystem in the Asia-Pacific region aims to manage this risk by developing sites mindful of market demand and customer needs with the aim of offering a service and connectivity compelling to our customers. NEXTDC's next-generation of data centres are particularly focussed on more scalable fit-outs. This will allow us to stay in step with demand whilst lowering our initial capital outlay as well as being able to more closely align incremental capital investment with incremental customer contracts. We are also aiming to increase sales by providing complementary products and services.

Ensuring Financial Health of the Company

- **Funding**: NEXTDC is a capital intensive business and our continued growth relies on the acquisition and development of new and existing data centres, along with investment in new technologies. Failure to obtain sufficient capital on favourable terms may hinder NEXTDC's ability to expand and pursue growth opportunities, which may reduce competitiveness and have an adverse effect on financial performance. To address this risk, NEXTDC has sought to obtain funding from various sources in order to not become over-reliant on any one form of funding as well as to maintain adequate liquidity to be able to cope with surges in customer demand as well as to take advantage of any attractive investment opportunities.

DIRECTORS' REPORT CONTINUED

Security of Data and Information

- **Physical Security Breach**: Security risk management is inherently integrated into NEXTDC's purpose, governance and operations ensuring a positive security culture. NEXTDC's security risk management program is designed to safeguard assets, people, property and information as well as customer equipment, security and their operational environments. NEXTDC customers rely on our high standards of physical security, preventing unauthorised access to where their critical equipment resides. The protection of NEXTDC data centres is enhanced using successive, layers of physical security. At each level, these limit access to only those with the appropriate authorisation, be it access to the entrance, common, storage or staging areas, private cages, data hall environment or support infrastructure. NEXTDC's security and protection measures reflect ongoing changes in the risk environment and to protect the integrity of customer information in our care.
- **Privacy & Data Security**: NEXTDC collects a minimal amount of Personally Identifiable Information (PII), limited to activities such as account and contact management, marketing and to permit entry into its facilities. NEXTDC does not store, interact with or manage any data stored on its customers' equipment. Customers are responsible for managing their own IT equipment and data security. All PII is securely managed in accordance with our Privacy Policy, a document based on the Australian Privacy Act 1998, the GDPR where it is applicable and information security practices based on ISO 27001 controls.

  In FY22, we were pleased to announce our certification by the Australian Federal Government's Digital Transformation Agency (DTA) as a Certified Strategic (Enclave) hosting provider of data centre services. Certified Strategic status is the highest level of certification attainable and recognition of our alignment with the highest certification standards assuring Federal, State and local Government organisations on security and data sovereignty issues.
- **Cyber Risk**: According to various recent global and national cyber risk reports, cyber incidents and their financial impacts are increasing significantly year on year and cyber criminals are targeting small and large businesses alike. To mitigate these risks, NEXTDC has implemented an information security management system based on ISO 27001 as well as undertaken ongoing penetration and vulnerability testing.

Revenue Generation and Customer Growth

- **Customer Management**: NEXTDC is committed to building a culture that values our customers and provides the best experience for them, from the first to the last point of contact. This is central to all phases of the customer lifecycle. Besides measuring ourselves against key customer metrics, we continue to evolve our customer resourcing models to ensure we deliver great service and monitor the outcomes and feedback.
- **Meeting Customer Requirements**: Some of our customers and channel partners are large, well established businesses. Not delivering the appropriate solution within the required timeframe to meet their requirements could significantly impact our brand reputation as well as the ability to win further opportunities. To minimise this risk, NEXTDC engages its in-house engineering and project management teams to ensure customers are provided with the optimal solution, delivered on time and on budget. Each customer has an assigned Customer Success Manager to provide support as they transition from sales prospects to active users of our products.
- **Innovating to stay competitive**: Innovation is at the heart of everything we do. NEXTDC's on-going strategic initiatives include a focus on research and development designed to foster innovation and excellence in data centre development and operations. A large part of that is our interactions with customers which are essential in understanding which solutions and innovations can drive value for customers, demand in the relevant industry sectors and to ensure that NEXTDC continues to retain its competitive advantage.

The FY22 Environmental, Social and Governance Report (located at www.nextdc.com) provides further details on how NEXTDC addresses matters of environmental and social sustainability.

Significant changes in the state of affairs

Other than what has already been mentioned in this report, there have been no further significant changes in the state of affairs of the Group during FY22.

Matters subsequent to the end of the financial period

No matters or circumstances have arisen since 30 June 2022 that have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

Likely developments in the operations of the Group that were not finalised at the date of this report include the continued fit out of data centre capacity in existing facilities and the pursuit of further growth opportunities.

Dividends

In considering dividend policy the Board considers the demand for capital to invest in growth, its level of retained earnings and the availability of franked earnings.

Although the Company is expanding operating cashflow, NEXTDC is some way from paying tax and consequently from generating franking credits. The Company continues to experience strong demand for its services and consequently is continuing to make substantial capital investment into the business. It is unlikely that NEXTDC will pay any dividend in the next two years.

Dividends were neither paid nor declared during the year.

Environmental regulation

NEXTDC is constantly monitoring and revising the best way to manage our data centres to minimise the impact to the environment. Environmental regulation relevant to NEXTDC's operations are set out below.

Greenhouse gas and energy data reporting requirements

NEXTDC monitors its carbon emissions for reporting and is registered under the National Greenhouse and Energy Reporting Act ("NGER"). Additionally, corporate operations are certified 100% carbon neutral under the Australian Federal Government's Climate Active program (previously known as the National Carbon Offset Standard, or NCOS). We have continued to achieve carbon neutrality by offsetting emissions associated with our corporate operations. NEXTDC's NEXTneutral, a certified carbon neutral colocation solution offered as an opt-in product to our customers, allows them to voluntarily have their carbon footprint off-set to be 100% carbon neutral on the same basis as NEXTDC's organisational 100% carbon neutral accreditation.

All NEXTDC data centres are certified to ISO 14001, Environmental Management System certification. NEXTDC's M1 Melbourne data centre has maintained its NABERS 5-Star ratings for energy efficiency throughout FY22.

NEXTDC's Climate Change Position

NEXTDC accepts that the global climate is warming at unprecedented levels, with widespread impacts on human and natural systems. We recognise the scientific position of the Intergovernmental Panel on Climate Change (IPCC), that rising concentrations of greenhouse gases emitted by human activities are the primary driver of climate change. We therefore share the aim of the Paris Agreement to keep global temperature rise this century to well below 2 degrees Celsius (above pre-industrial levels) and the ambition to limit further warming to 1.5 degrees Celsius. We acknowledge adaptation and mitigation to be complementary strategies for reducing and managing the risks of climate change.

In achieving the above, we are committed to decarbonisation to minimise and prevent severe, pervasive, and irreversible impacts on people and ecosystems in the future. With data centres estimated to consume about 1% of global electricity demand produced in 2020, and most of the world's Internet Protocol (IP) traffic going through data centres, the low-carbon operation of data centres is becoming an important parameter in a climate-resilient economy. This will also create new challenges for the cost and availability of power and will shape data centre legislation, regulation and technology.

NEXTDC's Taskforce on Climate related Financial Disclosures (TCFD) implementation

NEXTDC fully supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Following the work we did last year to assess our climate related risks and opportunities, we have continued to manage our risks and opportunities and embed them into our strategic planning, and operating model.

NEXTDC FY22 Environmental Social and Governance Report (available in the Corporate Governance section of our website) summarise our current approach and future plans to help manage climate change and its related impacts across the business, disclosed in alignment with the recommendations of the TCFD.

Insurance of officers

During the period, NEXTDC Limited paid a premium of $4,217,414 (FY21: $4,300,695) to insure the Directors and Officers of the Group.

The liabilities insured include legal costs that may be incurred in defending civil or criminal proceedings that may be brought against individuals in their capacity as officers of entities in the Group and any other liabilities or amounts sought against them in connection with such proceedings. This does not include liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. The Directors & Officers Liability insurance also covers security claims against the Company itself. It is not possible to apportion the premium between amounts relating to the insurance against legal costs to defend the officers and those relating to other liabilities.

Proceedings on behalf of the Company

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

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

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

INFORMATION ON DIRECTORS

Douglas Flynn

Chairman
Non-Executive Director (since September 2013)

Experience and expertise

Douglas (Doug) was appointed to the Board in September 2013 as an Independent Non-Executive Director and subsequently was appointed as Chairman in April 2014.

Doug has over 30 years of international experience in the media and information and communication technology industries, including holding various senior management and board positions.

Doug is the current Chairman of IMEXHS Limited, a medical imaging technology provider.

Previously, Doug was Chief Executive of newspaper publisher, Davies Brothers Limited, which was acquired by News Corporation in 1989. In 1995, he was appointed the Managing Director of News International Plc.

After leaving News International in 1998, Doug joined Aegis Group Plc and was appointed as CEO in 1999, where he was instrumental in doubling the size of the company and established a global market research business Synovate and internet services business Isobar.

From 2005 to 2008, Doug served as the Chief Executive of facilities management provider Rentokil Initial Plc.

Doug graduated in Chemical Engineering from the University of Newcastle, New South Wales and received a Master of Business Administration with distinction from the University of Melbourne.

Other current directorships

- IMEXHS Limited (March 2020 – present)

Former directorships

- Seven West Media Limited
- iSentia Group Limited
- APN Outdoor Group Limited
- Konekt Limited

Special responsibilities

- Chairman of the Board
- Member of the Remuneration and Nomination Committee
- Member of the Investment Committee

Interests in shares and options

Doug holds 160,223 fully paid ordinary shares in NEXTDC Limited.

Craig Scroggie

Chief Executive Officer (since June 2012)
Managing Director (since November 2010)

Experience and expertise

Craig Scroggie is the Chief Executive Officer and Managing Director of NEXTDC, Australia's leading Data-Centre-as-a-Service provider. Prior to becoming CEO in June 2012, Mr Scroggie served on the Board of Directors since IPO (2010) as a Non-Executive Director, including as Chairman of the Audit and Risk Management Committee.

Mr Scroggie has more than 25 years' experience in the ICT industry, having held senior positions with Symantec, Veritas Software, Computer Associates, EMC Corporation and Fujitsu. Prior to joining NEXTDC, Mr Scroggie was Symantec's Vice President & Managing Director for the Pacific Region.

Mr Scroggie currently serves on the Boards of Nitro (ASX:NTO) and Sovereign Cloud Holdings (ASX:SOV) and also serves on the University of Southern Queensland Business School Advisory Board and is Chairman of the La Trobe University Business School Advisory Board and holds the position of Adjunct Professor.

Mr Scroggie is a Graduate of the University of Southern Queensland and holds an Advanced Certificate in Information Technology, a Graduate Certificate in Management, a Postgraduate Diploma in Management, a Master of Business Administration; and is a Graduate and Fellow of the Australian Institute of Company Directors.

In 2013 Mr Scroggie was awarded the University of Southern Queensland Faculty of Business & Law Alumnus of the Year and in 2015 was inducted into the ARN ICT Industry Awards Hall of Fame.

Other current directorships

- Sovereign Cloud Holdings Limited 'AUCloud' (November 2021 – present)
- Nitro Software Limited (September 2021 – present)

Special responsibilities

- Member of the Investment Committee

Interests in shares and options

Craig holds 389,191 fully paid ordinary shares and 1,104,755 performance rights.

INFORMATION ON DIRECTORS CONTINUED

Stuart Davis

Non-Executive Director (since September 2013)

Experience and expertise

Stuart has over 30 years' experience as an international banker with the HSBC Group including roles in Hong Kong, New York, Taiwan, India and Australia. Most recently he was CEO India for the Hongkong and Shanghai Banking Corporation Limited (2009-2012), CEO and Executive Director for HSBC Bank Australia Limited (2002-2009) and CEO HSBC Taiwan (1999-2002). He was a member of the Australian Bankers Association from 2002 to 2009 and Deputy Chairman from 2006 to 2009.

Stuart holds a LLB from Adelaide University and is a Graduate of the Australian Institute of Company Directors.

Other current directorships

- PayPal Australia Limited (July 2016 – present)
- Bank of South Pacific Limited (September 2017 – present)
- Appen Limited (March 2022 – present)

Former directorships

Stuart previously held directorships with subsidiaries of HSBC Group until 2012, Built Holdings Pty Ltd. and Moboom Limited.

Special responsibilities

- Chairman of the Remuneration and Nomination Committee
- Member of the Audit and Risk Management Committee

Interests in shares and options

Stuart holds 38,160 fully paid ordinary shares in NEXTDC Limited.

Dr Gregory J Clark AC

Non-Executive Director (since April 2014)

Experience and expertise

Dr Gregory J Clark AC is a world-renowned technologist, businessman and scientist, with extensive corporate and Board experience in Australia, the USA and Europe.

Dr Clark was previously on the Board of the ANZ Banking Group where he chaired the Board's Technology Committee and was a member of the Risk, Governance and Human Resources Committees.

Dr Clark brings to the Board international business experience and a distinguished career in micro-electronics, computing and communications. He was previously Principal of Clark Capital Partners, a US based firm that has advised internationally on technology and the technology marketplace.

During his career, Dr Clark also held senior executive roles at IBM, News Corporation and Loral Space and Communications. At IBM he was a senior scientist in their Research Division in NY. At News Corporation he was President of Technology and on the Executive Committee with responsibility for all technical aspects of digital media creation and delivery. Dr Clark was responsible for News Corporation's transformation of its media assets from an analogue platform into a digital platform for both program creation and delivery. In addition, he was responsible for all technology companies within News Corporation.

He was Chief Operating Officer at Loral Space and Communications, the world's largest commercial satellite manufacturer and one of the largest operators, with responsibility for all development, manufacturing, marketing and sales.

While at News Corporation and Loral Space and Communications, Dr Clark was Chairman and/or on the Board of a number of wholly owned subsidiaries including Globalstar, SatMex, Skynet, Loral Space Systems, Kesmai, Etak and others.

Other current directorships

Dr Clark is currently Chairman of the Australian National University Advisory Board for the Research School of Physics and Engineering. He is also currently on the Board of the Sydney University Physics Foundation and Questacon, the National Science and Technology Centre.

Former directorships

Dr Clark served as a director on the Board of the ANZ Banking Group which he stepped down from in November 2013 after nine years of service.

Special responsibilities

- Member of the Remuneration and Nomination Committee
- Member of the Investment Committee

Interests in shares and options

Gregory holds 66,048 fully paid ordinary shares in NEXTDC Limited.

INFORMATION ON DIRECTORS CONTINUED

Stephen Smith

Non-Executive Director (since 1 July 2019)

Experience and expertise

Stephen (Steve) Smith is widely respected amongst the global ICT community. Steve has a deep background and expertise in managing market leading technology businesses, particularly in the data centre industry.

Steve served as CEO and President of Equinix Inc for over a decade (2007-2018), transforming it into the largest enterprise data centre platform in the world. Under Steve's leadership Equinix grew from 17 data centres operating in 10 markets and a US$2 billion market cap, to approximately 200 data centres with a US$38 billion market cap and operations in 24 countries on five continents.

Steve is currently the CEO of Zayo Group, a leading provider of fibre infrastructure, with dense, high-quality networks in every major market in North America and many in Western Europe. Prior to his time at Zayo Group and Equinix, Steve held senior leadership positions at Hewlett Packard (2005-2006) which included serving as its Senior Vice President – Worldwide HP Services; Lucent Technologies Inc. (2004-2005), where he was appointed as Vice President, Global Professional and Managed Services and Electronic Data Systems Corporation (EDS) (1987-2004), where he served in a number of capacities including Chief Sales Officer and President, Asia-Pacific.

Steve also had a successful eight-year career in the U.S. Army where, among other roles, he was aide de-camp to the office of the Commander in Chief of the U.S. Armed Forces in the Pacific.

Steve holds a Bachelor of Science in Engineering from the U.S. Military Academy at West Point.

Current executive roles

- Zayo Group Holdings, CEO

Other current directorships

- Flexential Inc. (April 2018 – present)
- Zayo Group Holdings (October 2020 – present)

Former directorships

Steve has served on several boards including Volterra Semiconductor Corporation, 3Par Inc, Actian Corporation, NetApp Inc and F5 Networks Inc.

Special responsibilities

- Chairman of the Investment Committee

Interests in shares and options

Nil

Jennifer Lambert

Non-Executive Director (since 1 October 2019)

Experience and expertise

Ms Jennifer Lambert has extensive business and leadership experience at senior executive and board level with more than 25 years of financial management and accounting experience.

Currently Ms Lambert is a Non-Executive Director of BlueScope Steel Limited, REA Group Limited and Investa Commercial Property Fund, and Chairs each of their Audit Committees. Ms Lambert is also a non-executive director of two not for profit entities.

Ms Lambert was Group Chief Financial Officer of 151 Property (formerly Valad Property Group) for 13 years where her responsibilities included operational and strategic finance, tax, treasury, legal and compliance. Prior to this, Ms Lambert was a director at PricewaterhouseCoopers specialising in capital raisings, structuring and due diligence for acquisitions and disposals across various industries.

Jennifer holds a Bachelor of Business (Accounting and Finance) from University of Technology Sydney and Master of Economics from Macquarie University. Her professional associations include being a member of The Chartered Accountants Australia New Zealand and a Fellow of the Australian Institute of Company Directors.

Other current directorships

- BlueScope Steel Limited (September 2017 – present)
- REA Group Limited (December 2020 – present)
- Investa Property Group, specifically Trustee of Investa Commercial Property Fund (October 2021 – present)

Former directorships

- Mission Australia (retired November 2020)

Special responsibilities

- Chair of the Audit and Risk Management Committee

Interests in shares and options

Jennifer holds 24,000 fully paid ordinary shares in NEXTDC Limited.

INFORMATION ON DIRECTORS CONTINUED

Dr Eileen Doyle

Non-Executive Director (since August 2020)

Experience and expertise

Dr Doyle has had an internationally recognised career with close to four decades of diverse business experience at both executive and board level.

Her experience covers a wide range of industries including logistics, technology and research, property, financial services, manufacturing, building and construction and sport.

Dr Doyle has previously served as the Chairman of the world's largest export coal loader, PWCS (1998-2009) and Deputy Chairman of CSIRO to 2016, after 10 years of service.

Dr Doyle currently serves on the Board of DBI Limited, Santos Limited and Airservices Australia. She has significant experience across Audit, Remuneration and Sustainability Committees. Dr Doyle's experience also includes appointments at major government bodies Austrade, CSIRO, Newcastle Port Corporation, the National Steering Committee on eHealth and the NSW Innovation and Productivity Council.

Dr Doyle holds a Ph.D. in Applied Statistics from the University of Newcastle, was a Fulbright Scholar (Business Management: Columbia University), is a Fellow of the Academy of Technology and Engineering and a Fellow of the Australian Institute of Company Directors (FAICD).

Dr Doyle is also a Foundation Fellow of The Australian Association of Angel Investors (FAAAI) and the author of "Call a Business Angel".

Other current directorships

- Santos Limited (December 2021 – present)
- DBI Limited (October 2020 – present)
- Airservices Australia (April 2021 – present)

Former directorships

- Oil Search Limited (February 2016 – December 2021)
- GPT Group (March 2010 – May 2019)
- Boral Limited (March 2010 – October 2020)

Special responsibilities

- Member of the Audit and Risk Management Committee

Interests in shares and options

Eileen holds 13,800 fully paid ordinary shares in NEXTDC Limited.

Michael Helmer

Company Secretary and Chief Legal Officer (since February 2015)

Michael has over 25 years' experience in the legal sector and has previously served as Director of Legal Services (Asia Pacific) for global software maker Symantec. Before that, Michael was based in London at specialist technology firm Field Fisher Waterhouse. Michael has held senior legal roles in Barclays, Coles Myer and was General Counsel at European on-line shopping site shopsmart.com as well as anti-malware maker PC Tools.

Michael is a seasoned strategic advisor with deep knowledge of the legal and compliance environments in which technology and ecommerce businesses operate. This is particularly focussed on their corporate and operating environments, e-commerce, security and compliance requirements as well as M&A and capital raising.

Michael has obtained a Bachelor of Laws, Bachelor of Science (Monash) and is admitted as a legal practitioner in Australia as well as in England and Wales. Michael is a member of the Association of Corporate Counsel and has served as their Victorian President (ACLA) as well as a member of its National Board. Michael holds a Certificate in Governance Practice and is a Fellow of the Governance Institute of Australia (FGIA). He is also a member of the Australian Institute of Company Directors and a graduate of their Company Directors course (GAICD).

DIRECTORS' REPORT CONTINUED

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each board committee held during the year, and the number of meetings attended by each director is as follows:

	Full meetings of Directors		Meetings of Committees: Audit and Risk Management Committee		Meetings of Committees: Remuneration and Nomination Committee		Meetings of Committees: Investment Committee	
	A	B	A	B	A	B	A	B
Douglas Flynn	9	9	—	—	6	6	3	4
Craig Scroggie	9	9	—	—	—	—	4	4
Stuart Davis	9	9	5	5	6	6	—	—
Dr Gregory J Clark AC	9	9	—	—	6	6	4	4
Stephen Smith	8	9	—	—	—	—	4	4
Jennifer Lambert	9	9	5	5	—	—	—	—
Dr Eileen Doyle	9	9	5	5	—	—	—	—

A = Number of meetings attended

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

— = Not a member of the relevant Committee

REMUNERATION REPORT – AUDITED

This report sets out the remuneration arrangements for NEXTDC's Directors and other Key Management Personnel (KMP) for the year ended 30 June 2022 (FY22). It is prepared in accordance with section 300A of the Corporations Act 2001 (Corporations Act) and has been audited as required by section 308(3C) of the Corporations Act.

This report is divided into the following sections:

REMUNERATION REPORT CONTINUED

1. Message from the Chair of the Remuneration and Nomination Committee

NEXTDC's Remuneration Report details how its executive remuneration outcomes are linked to both its corporate and individuals' performance for the 2022 financial year. The report details our remuneration policy for FY22 and its alignment between executive remuneration and shareholder outcomes.

In FY22, NEXTDC achieved a number of key performance milestones:

Data centre services revenue	Underlying EBITDA [1]	Operating cashflow
$291.0m	$169.0m	$117.2m
▲ $45.0m (18%)	▲ $34.5m (26%)	▼ $16.0m (12%)

Contracted utilisation	Debt facility refinanced	Capital expenditure
83.0MW	$2.5bn	$604.8m
▲ 7.5MW (10%)		

The Remuneration and Nomination Committee keeps the Company's remuneration policies under continuous review throughout the year to ensure they remain aligned with the Board's primary objectives and strategic direction and result in a high retention rate for key talent. They are also designed to reflect shareholder interests and broader community expectations in the context of a high-performance business that is both focussed on growth and mindful of its broader corporate, environmental and social responsibilities. Our remuneration program for FY22 was well suited to these ends and fostered performance culture in tune with NEXTDC's core values.

To ensure retention, the Committee is also very mindful of broader trends in the executive space, both with reference to comparator groups in Australian and international markets and, in particular, unlisted competitors.

This year the Committee has continued to focus the Senior Executive remuneration program on its key priorities mindful also of shareholder expectations and alignment with shareholder returns. The program aims to drive both performance and culture by aligning with financial performance, key deliverables in significant projects as well as broader cultural and work health and safety metrics. The remuneration structure also aims to drive operational efficiencies and the associated environmental benefits that entails, which the Committee recognises will continue to be an ongoing strategic focus.

The Committee has also reflected on the balance between disclosing sensitive operational information and the benefit greater transparency brings in updating its shareholder on key strategic priorities. It will continue to evaluate this but for now believes an appropriate balance has been struck, noting that the Committee will continue to take shareholder feedback and may further adjust the levels of disclosure to maintain an appropriate balance.

In terms of the overall remuneration structure for FY22 the Committee is of the view that its components, as described in this Remuneration Report, including the adjustments in the Long-Term Investment (LTI) structure agreed at the 2021 AGM, appropriately balances key factors such as retention and disclosure with meaningful success measures that are strongly aligned with shareholder value. Accordingly, factors such as financial and operational performance, the Company's achievement of key development and project milestones as well as measures on operational and WHS excellence have all been integrated into the overall remuneration structure.

The Committee does not, for now, consider it has to further adjust the structure of the executive LTI program, noting that refinements were made at last year's AGM to extend the vesting periods for participants from three years to a split vesting period structure now split over years three and four.

1. FY22 underlying EBITDA excludes costs related to review works into potential data centre investments in Asia, acquisition opportunities, investment in associates as well as the impact of IFRIC's guidance in relation to customisation and configuration spend on cloud software platforms.

REMUNERATION REPORT CONTINUED

1. Message from the Chair of the Remuneration and Nomination Committee continued

Members of the KMP received their last increase in base salary in January 2021. As such they did not receive an increase in base remuneration in FY22 and the Committee does not currently intend to make further adjustments to this for the balance of FY23. In view of this and in recognition of the strong business performance in FY22, the KMP along with a group of senior executives and managers identified as critical to the prosecution of the Company's growth and development agenda have been offered a one-off bonus payment, which the Committee believes is strongly aligned with shareholder interest. Cognisant also of the highly competitive market conditions, the Committee also took the further step of increasing the notice periods for recipients, in view of their importance to the Company.

NEXTDC's operations have continued to be impacted by the COVID-19 pandemic with the long-term health, social and economic consequences a source of concern both for our team members and our business. NEXTDC's response and experience in dealing with these issues has evolved rapidly and remains focussed on processes and protocols that put the safety of our team, our customers and suppliers as paramount. At NEXTDC 'Safety First' is a key value. NEXTDC has continued its work from home arrangements where this furthers high levels of productivity but is also seeing an encouraging gradual return for certain business units to foster greater team cohesion and cooperation.

The Committee and I are looking forward to further engaging with our shareholders and will be listening carefully to your comments and observations concerning our remuneration policies and practices.

Stuart Davis
Chairman – Remuneration and Nomination Committee

2. The Persons covered by this Report

Key Management Personnel ("KMP") include Non-Executive Directors and Senior Executives. The term "Senior Executives" refers to the CEO and those executives with authority and responsibility for planning, directing and controlling the activities of the Company and the Group, directly or indirectly.

Table 1: Key Management Personnel

Non-Executive Directors

Name	Position
Douglas Flynn	Non-Executive Chairman since 30 April 2014 Member of the Remuneration and Nomination Committee Member of the Investment Committee
Stuart Davis	Non-Executive Director Chair of the Remuneration and Nomination Committee Member of the Audit and Risk Management Committee
Dr Gregory J Clark AC	Non-Executive Director Member of the Remuneration and Nomination Committee Member of the Investment Committee
Stephen Smith	Non-Executive Director Chair of the Investment Committee
Jennifer Lambert	Non-Executive Director Chair of the Audit and Risk Management Committee
Dr Eileen Doyle	Non-Executive Director Member of the Audit and Risk Management Committee

Senior Executives

Name	Position
Craig Scroggie	Chief Executive Officer, Managing Director
Simon Cooper	Chief Operating Officer
Oskar Tomaszewski	Chief Financial Officer
David Dzienciol	Chief Customer and Commercial Officer

REMUNERATION REPORT CONTINUED

3. Overview of Remuneration Governance Framework

Our mission is to be the leading customer-centric data centre services business, delivering solutions that power, secure and connect enterprise customers. NEXTDC's remuneration policy is designed to incentivise and reward Senior Executives for achieving its overarching objectives of building market-leading sales performance, hosting the country's largest independent ecosystem of carriers, cloud and IT service providers and enabling customers to source and connect with suppliers and partners in an integrated hybrid cloud environment.

Our remuneration framework, applicable to the 2022 financial year is outlined and summarised below.

3.1 Senior Executive Remuneration (SER) Policy

The Senior Executive Remuneration Policy applies to Senior Executives who are defined as:

- The Chief Executive Officer who is accountable to the Board for the Company's performance and long-term planning
- Heads of Business Units, or those with key functional roles, or essential expertise, that report directly to the Chief Executive Officer
- Other executive roles classified as KMP under the Corporations Act; and
- Other roles or individuals nominated by the Board from time to time.

Figure 1: Remuneration Governance Framework

Board
- Approves the overall remuneration policy and ensures it is competitive, fair and aligned with the long-term interests of the Company and shareholders
- Approves Senior Executives and other key management personnel remuneration
- Assesses Company performance and determines STI and LTI outcomes for Senior Executives

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is delegated responsibility by the Board to make recommendations on:
- The remuneration policies and framework
- Non-Executive Director remuneration
- Remuneration for Senior Executives and other key management personnel
- The extent of the Senior Executives' achievements against performance targets and the remuneration outcomes
- Executive incentive arrangements

Management
- Provides information relevant to remuneration decisions and makes recommendations to the Remuneration and Nomination Committee

Consultation with Shareholders and Other Stakeholders

Remuneration Consultants and Other External Advisors

The Remuneration and Nomination Committee may appoint and engage independent advisors directly in relation to Executive remuneration matters. These advisors:
- Review and provide recommendations on the appropriateness of Senior Executive remuneration
- Provide independent information to assist with remuneration decisions

Advice or recommendations provided are used to assist the Board. Remuneration decisions are undertaken through the Board and Remuneration and Nomination Committee process.

Benchmarking data was provided by Morrow Sodali in FY21 and FY22 to review Senior Executive and Non-Executive remuneration. No remuneration recommendation as defined in Section 9B of the Corporations Act 2001 was made. The Board is satisfied that any advice provided by Morrow Sodali was made free from undue influence from any of the KMP.

The SER policy details how executive remuneration is structured, benchmarked and adjusted in response to changes in the circumstances of the Company. NEXTDC's Senior Executives Total Remuneration Package (TRP) includes the following components:

Figure 2: Total FY22 Remuneration (if Maximum Incentive Payments are Received[1])

Base Salary Package (29%)
- Base Salary Package (includes superannuation, non-monetary benefits and any applicable fringe benefits tax)
- References domestic and international industry benchmarks

STI (29% at risk)
- STI that provides a reward for performance against the annual objectives
- EBITDA gateway
- Maximum = 100% of Base
  - 50% is paid as cash
  - 50% is deferred for one year (cash or shares)

LTI (42% at risk)
- LTI that provides a securities-based reward for performance against indicators of long term shareholder value creation
- Rights vest at TSR Index (must be positive)
- Maximum = 150% of Base
  - 66.6% to vest after three years
  - 33.4% to vest after four years

Year 1 → Year 2 → Year 3 → Year 4

1. These figures are before taking into account the FY22 Special Bonus (as described in section 3.8) of the Remuneration Report. Once the Special Bonus is taken into account the mix becomes 27% Base Salary Package, 33% from STI (at risk) and 40% from LTI (at risk).

REMUNERATION REPORT CONTINUED

3.2 Senior Executive Remuneration Benchmarks

When considering executive remuneration, the Committee frequently has reference to domestic and international industry benchmarks relevant to its market sector, growth and value as well as unlisted competitors, general market conditions and the individual's role and performance. Factors specific to the data centre industry are also evaluated to ensure a high degree of alignment with strategic goals and in order to foster high retention rates in the leadership team and in the business more broadly. The Committee has been mindful of recent strong competitive pressures for top talent in the sector and from international and local competitors and major customers in Australia and beyond. The Committee considers the following as fundamental in setting executive remuneration packages:

- The individual's contribution to long term revenue and EBITDA growth;
- Their contribution to the delivery of key strategic goals and milestones;
- Their contribution to key measures of operational excellence including those relating to running of the business, the Company's strategic initiatives, safety and cultural values;
- Their relevant industry knowledge, experience and connections;
- Domestic and international comparators with whom NEXTDC must compete for talent; and
- Prevailing economic conditions.

The Committee evaluated the Base Salary Package and TRP considering the above factors, as well as the trajectory of the Company's growth, strategic objectives, competency and the skillsets of individuals, scarcity of talent, changes in role complexities and the geographical spread of the Company.

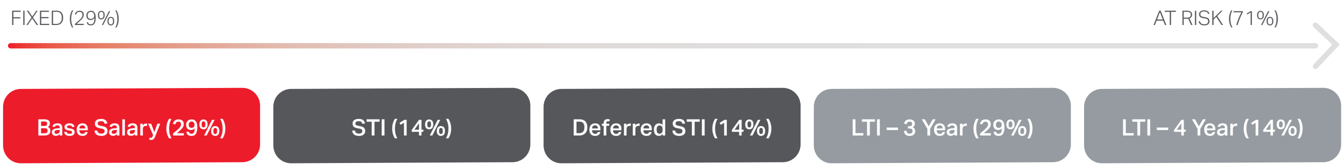
The Committee's view is that the nature of the business and its local and international customer base, relationships and competitors are such that its TRP levels should continue to be assessed against both domestic and international remuneration benchmarks.

3.3 Senior Executive Remuneration Mix

The Senior Executive remuneration mix refers to the proportion of remuneration that executives can receive as fixed versus any variable "at risk" remuneration. Assuming performance is at a level at which incentives pay out in full, approximately 71% of the TRP remuneration received is performance related.

The graph below sets out the remuneration mix if maximum incentive payments are received for the CEO and other Senior Executive KMP for FY22. The graph does not include the KMP's one-off bonus payment which is separately detailed in section 3.8.

Figure 3: FY22 Potential Remuneration Mix



3.4 Senior Executive Remuneration and Performance

The Board has determined that significant remuneration opportunities should continue to be contingent on realising the Company's ongoing financial and operational targets. In addition to this, the Committee has determined to provide further detail in relation to how incentive outcomes are determined. This increased transparency provides appropriate insight into the performance criteria set for key strategic and project milestones as well as measures of operational excellence, that were the focus of the FY22 STI program. The Committee is aiming to set remuneration to ensure NEXTDC's executive continue to be focussed on developing and growing its first-class data centre business with a focus on customer success, expanding its network of data centres and developing a regional footprint for national and international customers. These remain the key drivers for shareholder value creation and continue to be the cornerstones of our incentive program.

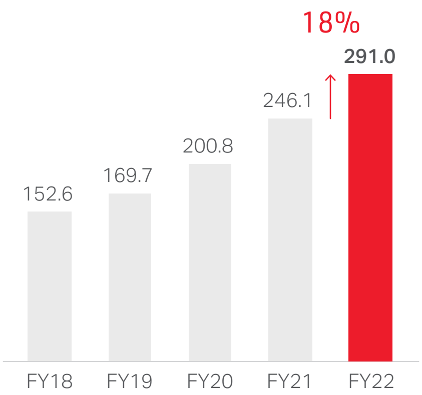
REMUNERATION REPORT CONTINUED

3.4 Senior Executive Remuneration and Performance continued

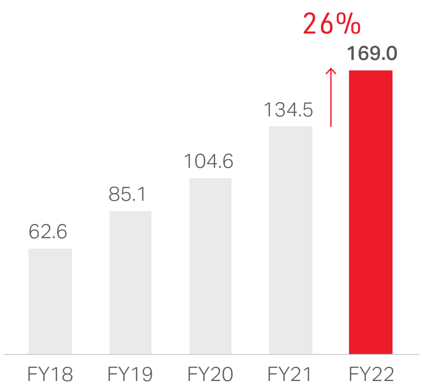
Below see Senior Executive remuneration and performance assessed relative to NEXTDC's performance over the past five years:

Table 2: Historical Company Performance

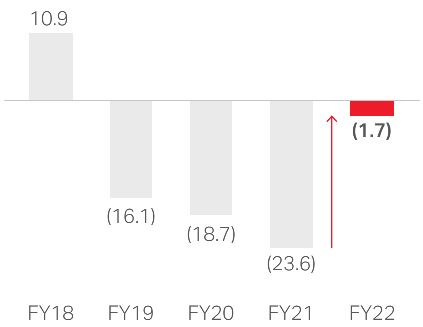
Data centre services revenue ($M)



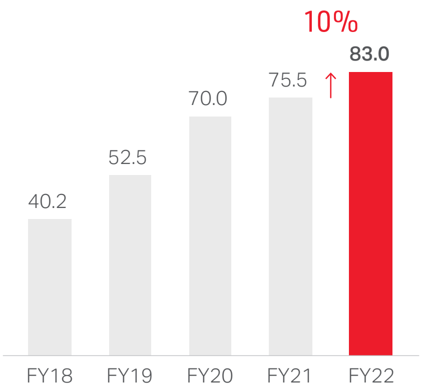
Underlying EBITDA ($M) [1]



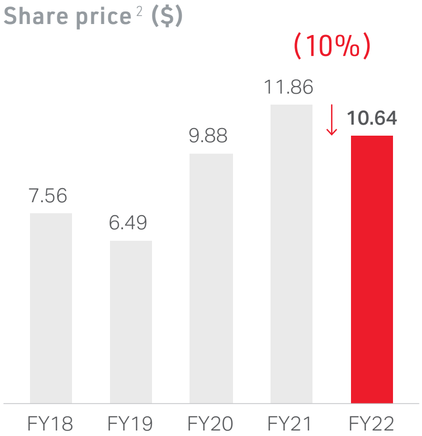
Net profit/(loss) before tax ($M)



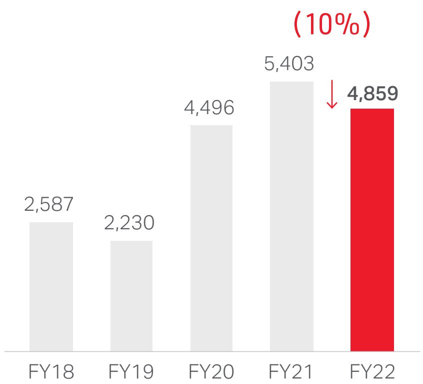
Contracted utilisation (MW)



Share price [2] ($)



Market capitalisation [2] ($M)



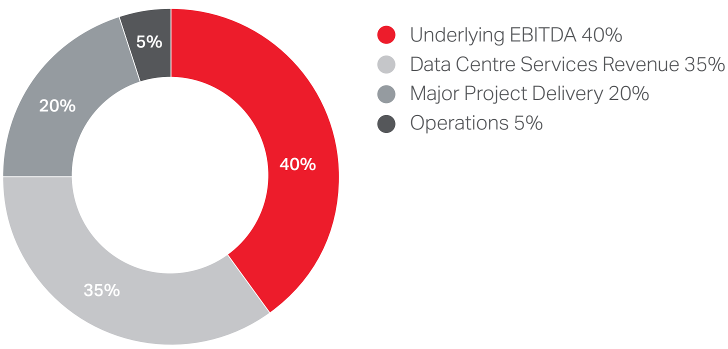
1. FY22 underlying EBITDA excludes costs related to review works into potential data centre investments in Asia, acquisition opportunities, investment in associates as well as the impact of IFRIC's guidance in relation to customisation and configuration spend on cloud software platforms.
2. Closing share price as at 30 June

3.5 Variable remuneration – Short Term Incentive (STI) Plan

The Committee recognises that NEXTDC is a capital-intensive business that requires significant investment for infrastructure to be built prior to generating income from customer contracts. With NEXTDC operating in a high-growth industry, the Company needs to continue to expand its infrastructure investment to keep pace with customer demand. It is on this basis that the Board and Committee places emphasis on revenue and underlying EBITDA generation as well as delivery of projects and maintaining strong operational performance when incentivising Senior Executives.

The composition of remuneration components comprising the FY22 STI program are as follows:

Figure 4: FY22 STI Mix



REMUNERATION REPORT CONTINUED

3.5 Variable remuneration – Short Term Incentive (STI) Plan continued

Financial Year 2022 STI Plan

The purpose of the STI Plan is to provide an incentive for Senior Executives to achieve against the Company's strategic objectives by delivering or exceeding on annual business plan requirements to ensure sustainable superior returns for shareholders. Key terms of the FY22 STI Plan are detailed below.

Feature	Description
Opportunity	Subject to the achievement of the Gateway, participants may achieve up to a stretch (maximum) award of 100% of their Base Salary Package.
Gateway	In order to qualify for any award under the FY22 STI incentive program, underlying EBITDA achieved in FY22 must be at least 95% of the midpoint value of the initial guidance range given for underlying EBITDA performance in that year. In FY22 that gateway was set at $154.4M. A further performance gate for this year was fulfilling the Company's uptime obligations to its customers. No STI is to be awarded to any individual acting in breach of the Company's code of conduct.
Measurement period	The Company's financial year i.e., from 1 July 2021 to 30 June 2022.
Performance metrics	In FY22 the below Company Key Performance Indicators (KPIs) were selected as being the most relevant drivers for improving financial performance and growth in shareholder value.

Metric	Weighting	Reason for selection
Underlying EBITDA[1]	Up to 40%	Indicates the Company's underlying profitability, a measure best suited to its stage of development: ► 50% achieved at bottom end of initial guidance range ($160M) ► 100% achieved at top end of initial guidance range ($165M) ► A linear progression to be applied between the limits.
Data Centre Services Revenue	Up to 35%	Indicates the Company's level of incremental growth in new business for the period, an essential criterion in assessing NEXTDC's financial and operational performance: ► 50% achieved at bottom end of initial guidance range ($285M) ► 100% achieved at top end of initial guidance range ($295M) ► A linear progression to be applied between the limits.
Major Project Delivery	Up to 20%	This component is for agreed major projects and clear, definable outcomes that drive future growth in capabilities, revenue, and earnings. Projects are mostly identified at or prior to the beginning of the financial year but may also be added as the financial year progresses. Projects may complete within the year or flow into the following year. In applying measures against performance, the time and cost will be that in the original approved project submission. These may be modified as to scope, time and costs in subsequent approved Board submissions. In calculating the award, weighting was to be given to each of the major projects as indicated in Figure 5 below.
Operations	Up to 5%	This component is for key operational metrics that affect service level standards expressed in uptime performance, data centre energy efficiency as well as measures relating to the health and safety of our employees and visitors. In calculating the award, equal weighing was given to each performance component as indicated in Figure 6 below.

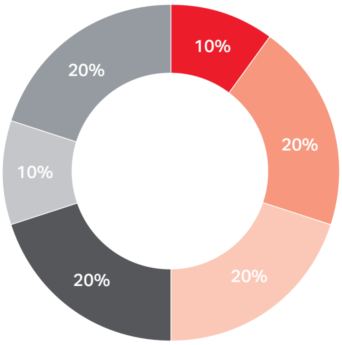
Feature	Description
Delivery of STI	Payments will be in cash unless otherwise determined by the Board and will normally be paid in September following the Measurement Period subject to the deferral of 50% of the final STI payment, which may be delivered in cash or by grant of rights to acquire fully paid ordinary shares. Deferring 50% of the awarded STI for a period of 12 months is intended to promote sustainability of annual performance over the medium term, acts as a retention mechanism and facilitates the exercise of malus provisions should the Board determine to exercise its discretion.
Board discretion	If the Company's overall performance during the Measurement Period is substantially lower than expectations and has resulted in a significant loss to shareholders' value, the Board may abandon the STI Plan for the Measurement Period or adjust STI pay outs.

1. FY22 underlying EBITDA excludes costs related to review works into potential data centre investments in Asia, acquisition opportunities, investment in associates as well as the impact of IFRIC's guidance in relation to customisation and configuration spend on cloud software platforms.

REMUNERATION REPORT CONTINUED

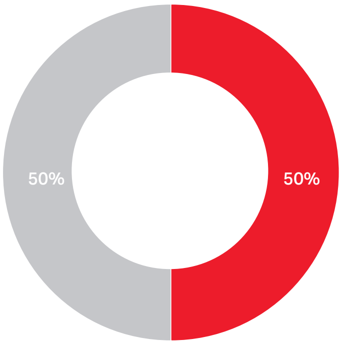
3.5 Variable remuneration – Short Term Incentive (STI) Plan continued

Figure 5: FY22 STI Potential – Major Project Delivery



- Major Project 1 (10%): S2 – delivery of contracted capacity on time (50%) and on budget (50%)
- Major Project 2 (20%): S3 – delivery of Phase 1 open to receive customers on time (50%) and on budget (50%)
- Major Project 3 (20%): M2 – delivery of Stage 5 capacity on time (50%) and on budget (50%)
- Major Project 4 (20%): M3 – delivery of site establishment services and start of Stage 1 capacity construction on time (50%) and on budget (50%)
- Major Project 5 (10%): SC1– complete upgrade of infrastructure by end FY22
- Major Project 6 (20%): Finance – ERP transition complete by end FY22

Figure 5: FY22 STI Potential – Operations



- Sustainability: retain NABERS 5-star rating for those facilities selected for maintaining the certification benchmark
- WH&S: achieve LTIFR rate demonstrating an improvement of at least 10% on the FY21 full year result (2.3)

3.6 Variable remuneration – Long Term Incentive (LTI) Plan

Financial Year 2022 LTI Plan

The aim of the LTI Plan is to provide an incentive for Senior Executives to help achieve the Company's strategic objectives and to deliver performance that is sustainable and aligned with shareholder interests, as well as to act as a retention mechanism to maintain a stable team of high performing executives. The current LTI Plan is the NEXTDC Limited Equity Incentive Plan (EIP).

The Committee made some refinements to the EIP in FY22 as reflected in the resolutions on the CEO's approval of performance rights at the Company's AGM in November 2021. These changes included an extension of the vesting period from three years to progressive vesting in years three and four. It believes the scheme continues to be appropriate but will review its components periodically to ensure it remains market appropriate, in step with the Company's rapid growth, and in line with trends, both in the ASX market peers and international competitors.

Feature	Description
Opportunity/ Allocation	Maximum LTI value was set at 150% of Base Salary Packages. The LTI grant of Performance Rights is calculated by applying the following formula: **Number of Performance Rights = Base Package x Maximum LTI% ÷ Right Value** NB: The Right Value is the volume weighted average share price of Shares over the 10 trading days following the release of the Company's FY21 results. The "Maximum LTI %" recognises that the stretch level of Rights will be granted when stretch performance is achieved.

REMUNERATION REPORT CONTINUED

3.6 Variable remuneration – Long Term Incentive (LTI) Plan continued

Feature	Description
Measurement period	The performance period for the LTI award will now be extended to include tranches which vest after the 3rd and 4th years. For FY22, the LTI award comprises: ► Tranche 1 (66.6% of the total LTI award), which will be tested after three years and be eligible to vest at that time; and ► Tranche 2 (33.4% of the total LTI award), which will be tested after four years and be eligible to vest at that time. The percentages set for FY22 represent a transition year with awards in subsequent years intended to be made on the basis that 50% of each LTI award be evaluated after three years with the remainder evaluated after four years. In all cases performance is measured over a period commencing from the end of the day of the release of the Company's full year results (for this award it is the release of the FY21 results) to the end of the day of the release of its results for the relevant year (in this case, it is FY24 and FY25). No component will be subject to re-testing.
Performance conditions	Vesting of each tranche of the LTI award is subject to two performance conditions: **1. Gateway Hurdle** Vesting of the Performance Rights is subject to an initial gateway hurdle of NEXTDC achieving positive total shareholder return (**TSR**) over the relevant performance period for that tranche. If the gateway hurdle is not met, the rights under the EIP automatically lapse even if the TSR Hurdle (described below) is achieved. **2. TSR Hurdle** In addition to the Gateway Hurdle, vesting under the EIP is subject to a relative TSR performance condition. The TSR Hurdle is determined by ranking NEXTDC's TSR over the performance period for the relevant tranche, relative to the TSR of companies in the ASX 100 Accumulation Index (**Index**). Vesting of the EIP rights will be determined by reference to the following vesting schedule:

NEXTDC's TSR over the Measurement Period	Percentage of Rights that vest
Less than TSR of Index	Nil
At TSR of Index	25%
Between TSR of Index and TSR of Index + 5%	Pro rata vesting from 25% to 100% on a straight-line basis
TSR of Index + 5% or greater	100%

Feature	Description
	The scale requires that the Company deliver a TSR to shareholders that is at least as good as the overall market (as indicated by the TSR of the Index over the performance period) before any vesting may occur. Full vesting does not become available until the TSR of the Company reaches the TSR of the Index over the performance period plus 5% p.a. This would, in the view of the Board, represent an outstanding outcome for shareholders. The Committee has again reviewed whether the introduction of a second LTI performance measure is appropriate. It remains the Board's view that an additional measure is not appropriate at NEXTDC's current stage of development. The Committee regards the continued application of a relative TSR performance measure to be the most effective method for aligning long-term executive performance with shareholder wealth outcomes and will review the appropriateness of the single measure LTI program on an annual basis.
Reason for selection	TSR was selected as it recognises the total returns (share price movement and dividends assuming they are reinvested into Company shares) that accrue to shareholders over the Measurement Period. This measure creates the most direct alignment between shareholder return and rewards realised by Senior Executives. The measurement period for assessing TSR performance is aligned with the release of results to ensure that the share price upon which TSR is determined at the start and end of the performance period reflects an informed market. Market adjusted TSR was selected to ensure that participants do not receive windfall gains from broad market movements unrelated to the performance of the Senior Executives. The positive TSR gate ensures that Senior Executives cannot benefit from the LTI Plan when shareholders have lost value over the Measurement Period. Vesting commences upon NEXTDC's TSR matching the Index TSR, with full vesting occurring once NEXTDC's TSR exceeds the Index TSR by 5% compound annual growth over the performance period. This hurdle has been determined with regard for the historic performance of the ASX 100 Accumulation Index whereby 5% compound annual growth or greater represents upper quartile performance. This would, in the Board's view, represent an outstanding outcome for the Company.

REMUNERATION REPORT CONTINUED

3.6 Variable remuneration – Long Term Incentive (LTI) Plan continued

Feature	Description
Exercise of vested Incentive Rights	Upon vesting the Board will determine the extent to which their value will be delivered in Shares and/or cash. The Board will also determine whether Shares will be issued or acquired for participants via the Employee Share Trust (EST) and if the EST is used, whether new issues or on-market purchases of Shares will be undertaken by the trustee of the EST. No amount is payable by participants to exercise vested Incentive Rights.
Forfeiture and termination	In the event of cessation of employment due to dismissal for cause, all unvested Incentive Rights are forfeited. In the event of cessation of employment due to resignation, all unvested Incentive Rights are forfeited unless otherwise determined by the Board. In the event of cessation of employment due to death, total and permanent disability or redundancy, unvested performance rights will continue on-foot and be subject to the original terms as though employment had not ceased, unless the Board determines otherwise. In any other circumstances the Board has discretion to determine how the unvested Performance Rights will be treated upon cessation of employment with the Company.
Board discretion	The Board retains discretion to modify vesting outcomes. Incentive Rights that do not vest will lapse. Board discretion to vary vesting will generally only be applied when the vesting that would otherwise apply is considered by the Board to be inappropriate, and when it would not align with shareholder returns.
Change of Control	In circumstances where there is a likely change in the control of NEXTDC, the Board has discretion to determine the level of vesting (if any) having regard to the portion of the performance period elapsed, performance to date against performance conditions and any other factors it considers appropriate. If an actual change in the control of the Company occurs before the Board can exercise this discretion, unless the Board determines otherwise, unvested Performance Rights will vest and become exercisable in proportion to the Company's performance against the TSR Hurdle up to the date of the change of control.
Malus/Clawback Provisions	The Board retains the ability to reduce or apply malus/clawback to awards where the participant has acted fraudulently or dishonestly or is in material breach of their obligations to the Company; or where the Company becomes aware of material misstatements or omissions in the financial statements of the Company; or any circumstances occur that the Board determines to have resulted in an unfair benefit to the recipient.
Hedging	The Company prohibits the hedging of Incentive Rights and Restricted Shares by Participants.

3.7 Risk Management and Clawback Provisions

A sound risk management culture is important to NEXTDC. The Company's STI and LTI Plans have been designed to protect the Company from the risk of unintended or unjustified pay outcomes by allowing risk factors to be taken into account over long periods and by way of a variety of measures that are considered key to the Company's success. For example:

- Basing the STI on a number of performance measures, including initial gateway hurdles before any STI is able to be paid (subject also to malus/clawback provisions)
- Deferring a component (50%) of STI to ensure alignment with shareholder value and compliance with NEXTDC's codes of conduct and corporate governance
- Distributing remuneration components across both long and short-term performance-based mechanisms to encourage prudent risk taking in line with the overall objectives of the Company.

While formal shareholding requirements are not imposed for Senior Executives, the CEO has a material holding in NEXTDC, holding shares and vested performance rights valued at approximately eight times base salary at 30 June 2022.

Board discretion is applied to the vesting of all STI's and LTI's to ensure any proposed awards are aligned with shareholder returns. As noted, the Board also retains the ability to reduce or clawback awards in the event of serious misconduct or a material misstatement in the Company's financial statements.

3.8 Special bonus payment to KMP and critical senior executives and managers

Members of the KMP received their last increase in base salary in January 2021. As such they did not receive an increase in base remuneration in FY22 and the Committee does not currently intend to make further adjustments to this for the balance of FY23. In view of this and in recognition of the strong business performance in FY22 in a highly competitive global talent market, the KMP along with a group of senior executives and managers identified as critical to the prosecution of the Company's growth and development agenda have been offered a one-off bonus payment equivalent to 25% of base remuneration, which the Committee believes is strongly aligned with shareholder interest. Cognisant also of the highly competitive market conditions, the Committee also took the further step of increasing the notice periods for recipients, in view of their importance to the Company. For the details of the amended notice period and bonus amounts to the extent they affect KMP's please see section 5.2 (Senior Executives – Table 4) and section 6.1 (Senior Executive Remuneration – Table 5).

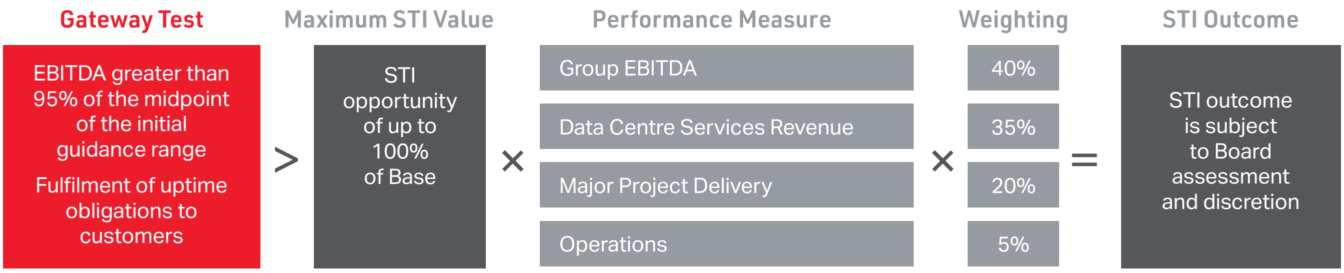
REMUNERATION REPORT CONTINUED

4. STI AND LTI PERFORMANCE OUTCOMES FOR FY22

4.1 STI Vesting Outcomes

The Executives performance against the FY22 STI performance measures (as previously described in section 3.5 above) are as follows. The Committee continues to be of the view that they were highly relevant to the Company's financial performance and to growing shareholder value. The individual components contributed to the overall composition of the STI award as follows:

Figure 7: Calculation of STI Outcomes



Upon review of the above performance criteria set for the FY22 STI Program, the Committee has determined that 89% of the FY22 STI opportunity be awarded to the participants. The FY22 STI outcome was determined by the Committee and approved by the Board. This outcome strictly reflects the performance against the performance criteria set out for this year's program. There has been no further discretion applied to these outcomes.

The individual components of this assessment were as follows:

Type of performance measure and weighting at target		KMP Performance measure	FY22 performance	Level of Achievement (% of Stretch)
Financial 75%		**Underlying EBITDA (40%)**: This percentage was awarded out of a maximum of 40% and was arrived at on the basis that the Company achieved underlying EBITDA of $169.0 million against the initial guidance range of $160 million (50%) to $165 million (100%) for this metric set by the Committee. See section 3.5 for more details on its method of calculation including the minimum EBITDA gateway also set for this metric.	$169.0 million	100%
		Data Centre Services Revenue (35%): This percentage was out of a maximum award of 35% and was arrived at on the basis that the Company achieved $291.0 million out of the initial guidance range of $285 million (50%) to $295 million (100%) for this metric set by the Committee. See section 3.5 for details on the method of calculation.	$291.0 million	60%
Non-Financial 25%	Major Project Delivery (20%)	**Major Project 1 (10%)**: S2 – delivery of contracted capacity on time (50%) and on budget (50%)	Achieved	100%
		Major Project 2 (20%): S3 – delivery of Phase 1 open to receive customers on time (50%) and on budget (50%)	Achieved	100%
		Major Project 3(20%): M2 – delivery of Stage 5 on time (50%) and on budget (50%)	Achieved	100%
		Major Project 4 (20%): M3 – delivery of site establishment services and start of Stage 1 capacity construction on time (50%) and on budget (50%)	Achieved	100%
		Major Project 5 (10%): SC1 – completed upgrade of infrastructure by end FY22	Not on time	0%
		Major Project 6 (20%): ERP transition complete by end FY22	Achieved	100%
	Opera-tional Metrics (5%)	**PUE**: retain all NABERS 5-star ratings already achieved and work towards NABERS 5-star certification at other sites	Achieved	100%
		WH&S: achieve LTIFR rate demonstrating an improvement of at least 10% on the FY21 full year result (2.3).	Achieved (LTIFR:0)	100%

Based on the strict metrics used for the determination of the award and the Company's broader performance during FY22, including pleasing performance in relation to the ongoing response to the COVID-19 pandemic, maintaining 100% Uptime SLA in line with contractual obligations and keeping construction performance on plan, as well as completion of a new debt facility, the Board believes the award is also consistent with the broader achievements of the Company in FY22.

REMUNERATION REPORT CONTINUED

4.2 LTI Vesting Outcomes

The measurement period for the FY19 LTI was between 31 August 2018 and 27 August 2021. The vesting condition attached to the FY19 LTI was based on NEXTDC's TSR over the measurement period, against the relative performance of the S&P / ASX 200 Accumulation Index (AXJOA).

NEXTDC's performance against the vesting conditions is summarised below:

Based on the above assessment, the stretch target was achieved, and the Board determined that 100% of the LTI granted in FY19 vested, with rights converting to shares following the release of the FY21 Annual Report.

The measurement period for the FY20 LTI is for approximately a three-year period, beginning from the end of trade on the day of release of the FY19 results, and ending upon the end of the day of release of the annual results for FY22. The vesting condition attached to the FY20 LTI is based on NEXTDC's TSR over the measurement period, against the relative performance of the S&P / ASX 200 Accumulation Index (Index).

Given vesting is not able to be determined until the end of day of release of the FY22 annual results, the Board will determine vesting following the release of the FY22 Annual Report.

5. EMPLOYMENT TERMS FOR DIRECTORS AND SENIOR EXECUTIVES

5.1 Non-Executive Directors

Once appointed all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation relevant to the office of the Director.

All current Non-Executive Directors carry an initial contract duration of three years (subject to re-election by shareholders). The employment contracts for the Non-Executive Directors do not carry notice period provisions, nor do they provide for any termination benefits.

All Directors must retire from office at the third annual general meeting after the Director was last elected and will then be eligible for re-election. Upon cessation of a Director's appointment, the Director will be paid his or her Director's fees on a pro-rata basis, to the extent that they are unpaid.

The Non-Executive Director Remuneration Policy applies to Non-Executive Directors of the Company in their capacity as Directors and as members of committees, and may be summarised as follows:

- Remuneration comprises:
  - Board fees
  - Committee fees
  - Superannuation
  - Other benefits
  - Securities (if appropriate at the time).
- Remuneration is managed within the aggregate fee limit (AFL) or fee pool of $1,600,000 which was approved by shareholders at the FY20 AGM in November 2020.
- The Non-Executive Director Remuneration Policy contains guidelines on when the Board should seek adjustment to the AFL such as in the case of the appointment of additional Non-Executive Directors.
- Remuneration should be reviewed annually.
- Non-Executive Directors are not entitled to termination benefits.
- The level of Board Fees (being the fees paid for membership of the Board, inclusive of superannuation and exclusive of committee fees) will be set with reference to the median of comparable ASX listed companies.
- Committee fees may be used to recognise additional contributions to the work of the Board by members of committees, but in a manner that, when combined with Board Fees, will not exceed the 75th percentile of comparable ASX listed companies.
- The Company does not currently provide securities as part of Non-Executive Director remuneration.

The rates of fees including superannuation contributions in respect of the 2022 financial year are as follows:

Table 3: Non-Executive Director Fee Schedule

	From July 2021
Board Chair	$330,000 per annum
Non-Executive Director	$152,000 per annum
Audit and Risk Management Committee Chair	$35,000 per annum
Remuneration and Nomination Committee Chair	$35,000 per annum
Investment Committee Chair	$35,000 per annum
Committee Member	$15,000 per annum

Recommended Non-Executive Director Shareholding

Non-Executive Directors are encouraged to accumulate shares on their own behalf, over a three-year period, of equivalent value to their average annual Directors' fees.

REMUNERATION REPORT CONTINUED

5.2 Senior Executives

Remuneration and other terms of employment for the Chief Executive Officer and other key management personnel are also formalised in service agreements.

The CEO's base salary package has remained consistent at $1.32 million since FY19 noting that effective 1 July 2021 his salary package saw a minor increase of $1,874 as a result of the Company's commitment to contribute a 0.5% increase in Super Guarantee Contribution (SGC). Since his appointment to the role in 2012, the CEO has overseen the Company's expansion, and has delivered:

114%
Compound annual revenue growth

119%
Compound annual growth in total assets

113%
Compound annual market capitalisation growth

NEXTDC is unique among ASX-listed companies due to its high capital-intensity and growth prospects requiring further capital to be invested ahead of demonstrable revenues and profits. Most comparable peers are US-based, as is the more comparable executive talent. The Board considered the Company's long-term strategy and potential and determined that the CEO's remuneration remains appropriate in context of the skills and experience necessary to lead NEXTDC.

Other major provisions of the agreements relating to service agreements are set out below.

Table 4: Service Agreements

	Duration of Contract	Notice Period [1]	Termination Payments [2]
Craig Scroggie	No fixed term	12 months	12 months
Simon Cooper	No fixed term	6 months	6 months
Oskar Tomaszewski	No fixed term	6 months	6 months
David Dzienciol	No fixed term	6 months	6 months

1. Effective 1 July 2022, Craig Scroggie's notice period has been changed to 18 months until the end of FY24, with notice periods for all other KMP changed to 12 months for this same period.
2. Base salary payable if the Company terminates employees with notice, and without cause (for example, reasons other than unsatisfactory performance).

REMUNERATION REPORT CONTINUED

6. STATUTORY REMUNERATION

6.1 Senior Executive Remuneration

The following table outlines the remuneration received or due to be received by Senior Executives of the Company during the 2022 and 2021 financial years and has been prepared in accordance with the Corporations Act and the relevant accounting standards. The figures provided under the LTI are based on accounting values and do not necessarily reflect actual payments received during the year.

Table 5: Statutory Remuneration

		Base Salary Package					STI			LTI	
Name	Year	Salary	Super-contri-butions	Non-monetary benefits	Leave benefits [1]	Subtotal	Special Bonus	STI [2]	% of TRP	LTI	Total remuner-ation package
Craig Scroggie	FY22	1,298,306	23,568	3,585	(3,329)	**1,322,130**	330,900	1,177,486	33%	740,987	**3,571,502**
Simon Cooper	FY22	478,306	23,568	1,770	19,010	**522,653**	125,900	447,054	30%	385,170	**1,480,777**
Oskar Tomaszewski	FY22	478,306	23,568	—	19,010	**520,883**	125,900	447,054	30%	373,705	**1,467,542**
David Dzienciol	FY22	478,306	23,568	—	41,085	**542,959**	125,900	447,054	30%	373,705	**1,489,618**
Total	**FY22**	**2,733,223**	**94,272**	**5,355**	**75,775**	**2,908,626**	708,598	**2,518,648**	**31%**	**1,873,567**	**8,009,439**

		Base Salary Package					STI		LTI	
Name	Year	Salary	Super-contri-butions	Non-monetary benefits	Leave benefits [1]	Subtotal	STI	% of TRP	LTI	Total remuner-ation package
Craig Scroggie	FY21	1,298,306	21,694	2,146	(13,103)	**1,309,043**	1,157,977	37%	679,337	**3,146,357**
Simon Cooper	FY21	473,306	21,694	368	7,442	**502,810**	438,628	35%	359,963	**1,301,401**
Oskar Tomaszewski	FY21	463,306	21,694	—	27,574	**512,574**	438,628	35%	345,269	**1,296,471**
David Dzienciol	FY21	463,306	21,694	—	29,902	**514,902**	438,628	35%	345,269	**1,298,799**
Total	**FY21**	**2,698,224**	**86,776**	**2,514**	**51,815**	**2,839,329**	**2,473,861**	**36%**	**1,729,838**	**7,043,028**

1. Leave benefits in the basic package includes the net movement of short-term leave benefits such as annual leave and long-term leave benefits such as long service leave.
2. 50% of the 2021 and 2022 STI are subject to 12 month deferral (excluding the FY22 special bonus payment), with employees being able to elect whether this is delivered in cash or equity.

6.2 Non-Executive Director Remuneration

Statutory Remuneration received by Non-Executive Directors in FY22 and FY21 is disclosed below.

Table 6: Non-Executive Director Remuneration

Name	Financial year	Board fees	Superannuation	Total
Douglas Flynn	FY22	336,432	23,568	**360,000**
Dr Gregory J Clark AC	FY22	165,455	16,545	**182,000**
Stuart Davis	FY22	183,636	18,364	**202,000**
Stephen Smith	FY22	186,292	708	**187,000**
Jennifer Lambert	FY22	187,000	—	**187,000**
Dr Eileen Doyle	FY22	151,818	15,182	**167,000**
Total	**FY22**	**1,210,633**	**74,367**	**1,285,000**
Douglas Flynn	FY21	281,318	21,694	**303,012**
Dr Gregory J Clark AC	FY21	147,032	13,968	**161,000**
Stuart Davis	FY21	162,557	15,443	**178,000**
Stephen Smith	FY21	165,000	—	**165,000**
Jennifer Lambert	FY21	161,421	3,579	**165,000**
Dr Eileen Doyle [1]	FY21	114,778	10,904	**125,682**
Total	**FY21**	**1,032,106**	**65,588**	**1,097,694**

1. Appointed 26 August 2020

REMUNERATION REPORT CONTINUED

6.3 Changes in Securities Held Due to Remuneration

Table 7: Changes in Securities Held Due to Remuneration

Name	Instrument	Balance at start of the year	Granted	Exercised	Lapsed	Balance at end of the year
Craig Scroggie	Performance Rights	956,896	147,859	—	—	1,104,755
Simon Cooper	Performance Rights	356,797	56,137	—	—	412,934
	Deferred Rights	41,113	16,354	—	—	57,467
Oskar Tomaszewski	Performance Rights	341,664	56,137	—	—	397,801
David Dzienciol	Performance Rights	331,206	56,137	(74,442)	—	312,901
	Deferred Rights	21,838	16,354	—	—	38,192

Performance Rights

The following table details performance rights that have been provided to key management personnel.

Table 8: Performance Rights Provided to Key Management Personnel

Name	Financial Year Granted	Number of Performance Rights	Vested during the year	Exercised during the year	Vested and exercisable at the end of the year	Unvested at the end of the year
Craig Scroggie	2017	223,325	—	—	223,325	—
	2018	194,987	—	—	194,987	—
	2019	208,202	208,202	—	208,202	—
	2020	216,393	—	—	—	216,393
	2021	113,989	—	—	—	113,989
	2022	147,859	—	—	—	147,859
		1,104,755	**208,202**	**—**	**626,514**	**478,241**
Simon Cooper	2017	83,747	—	—	83,747	—
	2018	73,121	—	—	73,121	—
	2019	77,287	77,287	—	77,287	—
	2020	80,328	—	—	—	80,328
	2021	42,314	—	—	—	42,314
	2022	56,137	—	—	—	56,137
		412,934	**77,287**	**—**	**234,155**	**178,779**
Oskar Tomaszewski	2017	80,025	—	—	80,025	—
	2018	69,871	—	—	69,871	—
	2019	74,132	74,132	—	74,132	—
	2020	77,049	—	—	—	77,049
	2021	40,587	—	—	—	40,587
	2022	56,137	—	—	—	56,137
		397,801	**74,132**	**—**	**224,028**	**173,773**
David Dzienciol	2017	74,442	—	(74,442)	—	—
	2018	64,996	—	—	64,996	—
	2019	74,132	74,132	—	74,132	—
	2020	77,049	—	—	—	77,049
	2021	40,587	—	—	—	40,587
	2022	56,137	—	—	—	56,137
		387,343	**74,132**	**(74,442)**	**139,128**	**173,773**

REMUNERATION REPORT CONTINUED

6.3 Changes in Securities Held Due to Remuneration continued

The fair values of each performance right at grant date are as follows:

Financial year granted	Fair value at grant date
2017	$1.63
2018	$3.32
2019	$3.07
2020	$4.61 [1]
2021	$6.80 [1]
2022	$6.09

1. Except for Craig Scroggie whose rights were granted at a fair value of $6.02 in 2021 (2020: $3.30).

Deferred Rights

The following table details deferred rights that have been provided to those key management personnel who elected to receive the deferred component of their STI in shares rather than cash.

Table 9: Deferred Rights Provided to Key Management Personnel

Name	Financial Year Granted	Number of Deferred Share Rights	Vested during the year	Forfeited during the year	Vested and exercisable at the end of the year	Unvested at the end of the year
Simon Cooper	2019	18,347	—	—	18,347	—
	2020	6,899	—	—	6,899	—
	2021	15,867	15,867	—	15,867	—
	2022	16,354	—	—	—	16,354
		57,467	**15,867**	**—**	**41,113**	**16,354**
David Dzienciol	2020	6,618	—	—	6,618	—
	2021	15,220	15,220	—	15,220	—
	2022	16,354	—	—	—	16,354
		38,192	**15,220**	**—**	**21,838**	**16,354**

The fair value of the deferred rights at grant date is as follows:

Financial year granted	Fair value at grant date
2019	$6.34
2020	$6.10
2021	$11.58
2022	$13.41

Deferred rights under the Senior Executive STI Plan are granted following release of the annual results. The shares vest one year from the grant date. On vesting, each right automatically converts into one ordinary share. Senior Executives do not receive any dividends and are not entitled to vote in relation to the rights during the vesting period. If a Senior Executive ceases employment before the rights vest, they have six months from the cessation of employment or the vesting date, whichever is later, to exercise their deferred rights. Any rights not exercised in this period will automatically lapse.

The fair value of the rights is determined based on the volume weighted average trading price of the Company's shares over the 10 trading days following release of the Company's annual results.

REMUNERATION REPORT CONTINUED

6.4 Director and Senior Executive Shareholdings

During FY22, KMP and their related parties held shares in NEXTDC directly, indirectly or beneficially as follows:

Table 10: Director and Senior Executive Shareholdings

Holder	Opening balance	Received during the year as compensation	Received during the year on the exercise of an option or right	Other changes	Closing balance	Shares held nominally at 30 June 2022
Directors						
Douglas Flynn	160,223	—	—	—	160,223	160,223
Dr Gregory J Clark AC	66,048	—	—	—	66,048	66,048
Stuart Davis	38,160	—	—	—	38,160	38,160
Stephen Smith	—	—	—	—	—	—
Jennifer Lambert	18,000	—	—	6,000	24,000	24,000
Dr Eileen Doyle	13,800	—	—	—	13,800	13,800
Senior Executives						
Craig Scroggie	1,989,191	—	—	(1,600,000)	389,191	383,447
Simon Cooper	150,341	—	—	—	150,341	14,846
Oskar Tomaszewski	150,610	—	—	(75,000)	75,610	—
David Dzienciol	100,618	—	74,442	(144,092)	30,968	—

The Non-Executive Directors of the Company did not receive any shares in NEXTDC on behalf of the Company in respect of the 2021 and 2022 financial reporting periods.

Loans to Directors and Executives

There were no loans to Directors or other key management personnel at any time during the year.

6.5 Remuneration Received (Non-statutory)

Remuneration received in FY22

The amounts disclosed below as Senior Executive remuneration for FY22 reflect the actual benefits received by each Senior Executive during the reporting period. The remuneration values disclosed have been determined as follows:

Fixed remuneration

Fixed remuneration includes base salaries received, paid leave, payments made to superannuation funds, and the taxable value of non-monetary benefits received, and excludes any accruals of annual or long service leave.

Short-term incentives

Awarded STI represents bonuses that were awarded to each Senior Executive in relation to FY22 performance, 50% of which will be paid in FY23. The remaining 50% of the STI bonuses awarded are deferred for 12 months, with employees being able to elect whether the award will be delivered in cash or equity. Deferred STI represents the remaining 50% of the FY22 STI that is expected to vest in FY24.

Long-term incentives

The value of vested rights was determined based on the intrinsic value of the rights at the date of vesting, being the difference between the share price on that date, and the exercise price payable by the Senior Executive. The performance rights that vested in FY22 were granted in 2019.

REMUNERATION REPORT CONTINUED

6.5 Remuneration Received (Non-statutory) continued

Table 11: Remuneration Received in FY22

Name	Fixed Remuneration	Awarded Special Bonus (cash)	Awarded STI (cash)	Deferred STI (cash or equity)	Vested LTI	Total Value
Craig Scroggie	1,325,459	330,900	588,743	588,743	2,858,613	5,692,458
Simon Cooper	503,644	125,900	223,527	223,527	1,061,151	2,137,749
Oskar Tomaszewski	501,874	125,900	223,527	223,527	1,017,832	2,092,660
David Dzienciol	501,874	125,900	223,527	223,527	1,017,832	2,092,660
Total	**2,832,851**	**708,600**	**1,259,324**	**1,259,324**	**5,955,428**	**12,015,527**

The amounts disclosed above are not the same as the remuneration expensed in relation to each KMP in accordance with accounting standards. The Directors believe that the remuneration received is more relevant to users for the following reasons:

- The statutory remuneration expensed is based on historic cost and does not reflect the value of the equity instruments when they are actually received by the Senior Executives
- The statutory remuneration shows benefits before they are actually received by the Senior Executives
- Where rights do not vest because a market-based performance condition is not satisfied (e.g. TSR), the Company must still recognise the full amount of expenses even though the Senior Executives will never receive any benefits.
- Share based payment awards are treated differently under the accounting standards depending on whether the performance conditions are market conditions (no reversal of expense) or non-market conditions (reversal of expense when shares fail to vest), even though the benefit received by the Senior Executives is the same (nil where equity instruments fail to vest).

The information in this section has been audited together with the rest of the remuneration report.

Audit and non-audit services

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers Australia) for audit and non-audit services during the year are disclosed in Note 23 Remuneration of auditors.

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

The board of directors, in accordance with advice provided by the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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 52.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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

Craig Scroggie
Managing Director and Chief Executive Officer
29 August 2022

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the audit of NEXTDC Limited for the year ended 30 June 2022, 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 audit; and

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

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

Michael Shewan
Partner
PricewaterhouseCoopers

Brisbane
29 August 2022

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

CORPORATE GOVERNANCE STATEMENT

NEXTDC has established a strong governance framework that defines the roles and responsibilities of NEXTDC's Board, management team, employees and suppliers. NEXTDC continues to be committed to the highest levels of integrity and ethical standards in all its business practices, recognising the fact that effective and transparent corporate governance is of critical importance to its success. The framework continues to evolve as we seek continual improvements in the way we conduct the business.

The Corporate Governance Statement has been approved by the Board and fully supports the intent of the Australian Securities Exchange ("ASX") Corporate Governance Council's new 4th edition of Corporate Governance Principles and Recommendations ("4th Edition Governance Principles"). NEXTDC meets all the requirements of 4th Edition Governance Principles.

This Statement describes NEXTDC's key governance practices and articulates how decision-making is guided to meet stakeholder expectations of sound corporate governance, acknowledging the Company's specific and broader responsibilities to its shareholders, customers, suppliers, employees, and the communities in which it operates.

At NEXTDC, corporate governance is an essential element of how we operate. It refers to the overarching monitoring and reporting of the Company's business operations and is the combination of processes implemented and monitored by the Board and the Executive team to direct, manage and scrutinise NEXTDC's activities.

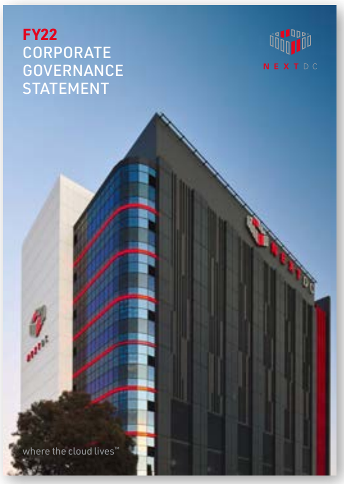
We aim to maintain and build on our relationships with our shareholders, customers, suppliers, team members, and the broader community to achieve our vision of becoming the most trusted data centre provider in Australia. We are focussed on operating in a socially responsible and ethical manner and meeting the highest standards of integrity and cultural sensitivity whilst adhering to clear corporate governance standards.

NEXTDC's values are anchored in its Corporate Social Responsibility (CSR) policies, which are the guiding principles in our Corporate Governance Program. This includes:

- a risk management framework complete with internal controls
- procedures as well as operational processes such as, for example, our policies relating to team members' conduct, training and operational standards and our dealings with shareholders and the ASX
- a regular reporting cadence to the Board and CXO team to enable them to manage, monitor and report on NEXTDC's performance and its risk management; and
- regular internal audits based on best practice standards to independently verify the effectiveness of corporate governance, risks management and internal control processes to identify and manage operational gaps.

NEXTDC's Corporate Governance Framework continues to evolve as it seek continual improvement in the way it conducts its business. Further details on how NEXTDC's Corporate Governance aligns with the 4th Edition Governance Principles can be found at the Company's FY22 Corporate Governance Statement and Appendix 4G available at

https://www.nextdc.com/investor-centre/corporate-governance



Download FY22 Corporate Governance Statement

NEXTDC Limited

ABN 35 143 582 521

Financial report for the year ended 30 June 2022

FINANCIAL REPORT

These financial statements are the consolidated financial statements of the consolidated entity consisting of NEXTDC Limited (ABN 35 143 582 521) and its subsidiaries. A list of major subsidiaries is included in note 24. NEXTDC Limited is a company limited by shares, incorporated and domiciled in Australia. The financial statements are presented in the Australian currency.

NEXTDC's registered office is:
20 Wharf St Brisbane QLD 4000

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 29 August 2022.

The Directors have the power to amend and reissue the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Note	30 June 2022 $'000	Restated[#] 30 June 2021 $'000
REVENUE FROM CONTINUING OPERATIONS			
Data centre services revenue	3	**291,044**	246,065
OTHER INCOME			
Other income	3	**2,686**	4,384
EXPENSES			
Direct costs		**(43,520)**	(42,937)
Employee benefits expense		**(44,407)**	(38,090)
Data centre facility costs		**(16,890)**	(13,819)
Depreciation and amortisation expense		**(106,853)**	(97,031)
Professional fees		**(3,513)**	(2,739)
Marketing costs		**(1,148)**	(661)
Office and administrative expenses		**(19,988)**	(15,226)
Finance costs	4	**(49,269)**	(63,577)
Share of loss on investment in associate	24(b)	**(1,879)**	-
Impairment of investment in associate	24(b)	**(7,921)**	-
Profit/(loss) before income tax		**(1,658)**	**(23,631)**
Income tax benefit/(expense)	20	**10,797**	-
Profit/(loss) after income tax		**9,139**	**(23,631)**
PROFIT/(LOSS) IS ATTRIBUTABLE TO:			
Owners of NEXTDC Limited		**9,139**	**(23,631)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**368**	(429)
Costs of hedging		**(640)**	100
Gain/(loss) on cash flow hedges		**33,421**	(1,026)
Hedging gain/(loss) reclassified to profit or loss		**3,235**	593
Income tax relating to these items		**(10,797)**	-
Total comprehensive income		**34,726**	**(24,393)**
Attributable to:			
Owners of NEXTDC Limited		**34,726**	**(24,393)**
		Cents	Cents
EARNINGS/(LOSS) PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE GROUP:			
Basic earnings/(loss) per share	2	**2.00**	(5.19)
Diluted earnings/(loss) per share	2	**1.99**	(5.19)

[#] Comparative information has been restated to reflect the restatement of prior period depreciation as detailed in note 26(b).

The notes following the financial statements form part of the financial report.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2022

	Note	30 June 2022 $'000	Restated# 30 June 2021 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**456,562**	652,334
Trade and other receivables	5	**44,335**	49,716
Derivative financial instruments	13(b)	**6,449**	-
Other assets	6	**20,356**	14,647
Total current assets		**527,702**	**716,697**
NON-CURRENT ASSETS			
Property, plant and equipment	8	**2,359,059**	1,881,003
Other assets	6	**14,168**	22,699
Intangible assets	9	**38,218**	20,745
Investment in associates	24(b)	**8,315**	-
Derivative financial instruments	13(b)	**29,539**	-
Total non-current assets		**2,449,299**	**1,924,447**
TOTAL ASSETS		**2,977,001**	**2,641,144**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	**81,606**	56,010
Lease liabilities	10	**6,232**	5,970
Revenue received in advance		**16,495**	15,313
Total current liabilities		**104,333**	**77,293**
NON-CURRENT LIABILITIES			
Provisions		**1,035**	1,612
Revenue received in advance		**43,715**	46,967
Derivative financial instruments	13(b)	**-**	333
Borrowings	14	**1,058,762**	783,156
Lease liabilities	10	**70,628**	71,325
Total non-current liabilities		**1,174,140**	**903,393**
TOTAL LIABILITIES		**1,278,473**	**980,686**
NET ASSETS		**1,698,528**	**1,660,458**
EQUITY			
Contributed equity	12	**1,762,663**	1,759,777
Reserves		**33,725**	7,693
Accumulated losses		**(97,860)**	(107,012)
TOTAL EQUITY		**1,698,528**	**1,660,458**

#Comparative information has been restated to reflect the restatement of prior period depreciation as detailed in note 26(b).

The notes following the financial statements form part of the financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020		**1,757,262**	**7,612**	**(83,478)**	**1,681,396**
Profit/(loss) for the year as previously reported		-	-	(20,655)	(20,655)
Depreciation restatement		-	-	(2,976)	(2,976)
Other comprehensive income		-	(859)	97	(762)
Total comprehensive income		**-**	**(859)**	**(23,534)**	**(24,393)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:					
Contributions of equity, net of transaction costs and tax	12(b)	(31)	-	-	(31)
Share based payments - conversion of rights to shares	12(b)	2,546	(2,546)	-	-
Share based payments - value of employee services		-	3,486	-	3,486
Balance at 30 June 2021 - restated#		**1,759,777**	**7,693**	**(107,012)**	**1,660,458**

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021		**1,759,777**	**7,693**	**(107,012)**	**1,660,458**
Profit/(loss) for the year		-	-	9,139	9,139
Other comprehensive income		-	25,574	13	25,587
Total comprehensive income		**-**	**25,574**	**9,152**	**34,726**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:					
Contributions of equity, net of transaction costs and tax	12(b)	(26)	-	-	(26)
Share based payments - conversion of rights to shares	12(b)	2,912	(2,912)	-	-
Share based payments - value of employee services		-	3,370	-	3,370
Balance at 30 June 2022		**1,762,663**	**33,725**	**(97,860)**	**1,698,528**

Comparative information has been restated to reflect the restatement of prior period depreciation as detailed in note 26(b).

The notes following the financial statements form part of the financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Note	30 June 2022 $'000	30 June 2021 $'000
OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**314,239**	290,791
Payments to suppliers and employees (inclusive of GST)		**(151,291)**	(125,101)
		162,948	165,690
Interest paid		**(42,308)**	(42,454)
(Payments for)/proceeds from bank guarantees		**(4,867)**	5,824
Interest received		**1,403**	4,156
Net cash inflow from operating activities	22(a)	**117,176**	**133,216**
INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(564,022)**	(310,708)
Payments for intangible assets		**(17,819)**	(7,788)
Payments for investment in associate		**(18,088)**	-
Net cash (outflow) from investing activities		**(599,929)**	**(318,496)**
FINANCING ACTIVITIES			
Proceeds from borrowings		**300,000**	800,000
Repayment of Notes		**-**	(800,000)
Redemption premiums paid on repayment of Notes		**-**	(10,750)
Transaction costs in relation to loans and borrowings		**(12,089)**	(43,574)
Transaction costs paid in relation to issue of shares	12(b)	**(26)**	(31)
Principal elements of lease payments		**(904)**	(970)
Net cash inflow/(outflow) from financing activities		**286,981**	**(55,325)**
Net (decrease) in cash and cash equivalents		**(195,772)**	(240,605)
Cash and cash equivalents at the beginning of the year		**652,334**	892,939
Cash and cash equivalents at the end of the year		**456,562**	**652,334**

The notes following the financial statements form part of the financial report.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

30 JUNE 2022

Contents of the notes to the consolidated financial report

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

30 JUNE 2022

(a) Basis of preparation

The 2022 financial statements notes have been grouped into the following sections:

- Section 1 Business performance
- Section 2 Operating assets and liabilities
- Section 3 Capital and financial risk management
- Section 4 Items not recognised
- Section 5 Employee remuneration
- Section 6 Other

Each section sets out the accounting policies applied along with details of any key judgements and estimates made or information required to understand the note.

NEXTDC Limited (the Company) is domiciled in Australia. The registered office is 20 Wharf St, Brisbane QLD 4000.

The nature of the operations and principal activities of the Company and its controlled entities (referred to as 'the Group') are described in the Segment information.

The consolidated general purpose financial statements of the Group for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 29 August 2022.

The financial statements:

- Have been prepared in accordance with the requirements of the Corporations Act 2001 (Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards as issued by the International Accounting Standards Board

- Have been prepared on a historical cost basis, except for derivatives measured at fair value

- Are presented in Australian dollars and, unless otherwise stated, all values have been rounded to the nearest thousand dollars ($'000) under the option available under the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191

- Present reclassified comparative information where required for consistency with the current year's presentation

- Adopt all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2021

- Do not early adopt any other Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

(b) Principles of consolidation and equity accounting

(i) Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (ii) below), after initially being recognised at cost.

(b) Principles of consolidation and equity accounting (continued)

(i) Associates (continued)

(ii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the Group's accounting policy for impairment of assets which is detailed in note 26(g).

Business performance

1 Segment performance

(a) Description of segments

Management considers the business from a geographic perspective and has identified five reportable segments, being each geography 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

The segment information provided to management for the reportable segments is as follows:

30 June 2022	**Vic** $'000	**NSW/ACT** $'000	**Qld** $'000	**WA** $'000	**Other** $'000	**Total** $'000
Revenue from external customers	101,870	135,614	27,467	23,423	2,670	291,044
Direct and facility costs	(16,769)	(33,044)	(4,535)	(4,675)	(1,387)	(60,410)
Employee benefits expense	(3,054)	(3,687)	(1,644)	(1,911)	(636)	(10,932)
Other expenses	(198)	(376)	(77)	(112)	(2,926)	(3,689)
Segment EBITDA	**81,849**	**98,507**	**21,211**	**16,725**	**(2,279)**	**216,013**
Depreciation and amortisation	(25,020)	(50,794)	(7,975)	(11,113)	(949)	(95,851)
Finance charge	-	(5,303)	-	-	-	(5,303)
Segment profit/(loss) before tax	**56,829**	**42,410**	**13,236**	**5,612**	**(3,228)**	**114,859**
Segment assets	770,871	1,060,964	133,778	259,594	16,504	2,241,711
Unallocated assets	-	-	-	-	735,290	735,290
Total segment assets	**770,871**	**1,060,964**	**133,778**	**259,594**	**751,794**	**2,977,001**

NOTES TO THE CONSOLIDATED FINANCIAL REPORT CONTINUED
30 JUNE 2022

1 Segment performance (continued)

(b) Segment information provided to management (continued)

30 June 2021	Vic $'000	NSW/ACT $'000	Qld $'000	WA $'000	Other $'000	Total $'000
Revenue from external customers	84,437	115,692	23,553	19,944	2,439	246,065
Direct and facility costs	(16,962)	(30,449)	(4,446)	(4,246)	(653)	(56,756)
Employee benefits expense	(2,655)	(3,327)	(1,503)	(1,758)	(417)	(9,660)
Other expenses	(183)	(321)	(117)	(229)	(885)	(1,735)
Segment EBITDA	**64,637**	**81,595**	**17,487**	**13,711**	**484**	**177,914**
Depreciation and amortisation	(22,263)	(49,073)	(7,587)	(10,724)	(155)	(89,802)
Finance charge	-	(5,269)	-	-	(1)	(5,270)
Segment profit/(loss) before tax - restated#	**42,374**	**27,253**	**9,900**	**2,987**	**328**	**82,842**
Segment assets	511,018	960,604	127,786	239,089	11,779	1,850,276
Unallocated assets	-	-	-	-	790,868	790,868
Total segment assets - restated#	**511,018**	**960,604**	**127,786**	**239,089**	**802,647**	**2,641,144**

Comparative information has been restated to reflect the restatement of prior period depreciation as detailed in note 26(b).

There was no impairment charge or other significant non-cash item recognised in relation to the above segments in 2022 (2021: nil).

(c) Other segment information

(i) Profit/(loss) before tax

Management assesses the performance of the operating segments based on a measure of EBITDA. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

A reconciliation of profit/(loss) before income tax is provided as follows:

	30 June 2022 $'000	Restated# 30 June 2021 $'000
Total segment profit before tax	**114,859**	82,842
Employee benefits expense (non-facility staff)	**(33,475)**	(28,430)
Interest revenue	**1,757**	3,932
Other income	**929**	452
Finance costs	**(43,966)**	(58,307)
Head office depreciation	**(11,002)**	(7,229)
Overheads and other expenses	**(20,960)**	(16,891)
Investment in associate	**(9,800)**	-
Profit/(loss) before tax	**(1,658)**	**(23,631)**

Comparative information has been restated to reflect the restatement of prior period depreciation as detailed in note 26(b).

1 Segment performance (continued)

(c) Other segment information (continued)

(i) Profit/(loss) before tax (continued)

A reconciliation of depreciation and amortisation is provided as follows:

	30 June 2022 $'000	Restated# 30 June 2021 $'000
Segment depreciation and amortisation expense	**95,851**	89,802
Head office depreciation and amortisation expense	**11,002**	7,229
Total depreciation and amortisation expense	**106,853**	**97,031**

Comparative information has been restated to reflect the restatement of prior period depreciation as detailed in note 26(b).

(ii) Segment liabilities

As noted above, the segment liabilities for each operating segment are not required by executive management for purposes of their decision making. As such, these are not provided to management and not categorised.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive management team. The executive management team is responsible for allocating resources and assessing performance of the operating segments. The executive management team is the chief operating decision making body and consists of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and Chief Customer and Commercial Officer.

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2 Earnings/(loss) per share

(a) Earnings/(loss) per share

	30 June 2022 Cents	Restated# 30 June 2021 Cents
Total basic EPS attributable to the ordinary equity holders of the Group	**2.00**	(5.19)

(b) Diluted earnings/(loss) per share

Total diluted EPS attributable to the ordinary equity holders of the Group	**1.99**	(5.19)

(c) Reconciliation of earnings/(loss) used in calculating earnings per share

	30 June 2022 $'000	Restated# 30 June 2021 $'000
BASIC EARNINGS/(LOSS) PER SHARE		
Profit/(loss) attributable to equity holders of the Group used in calculating basic EPS:		
Profit/(loss) used in calculating basic earnings/(loss) per share	**9,139**	**(23,631)**
DILUTED EARNINGS/(LOSS) PER SHARE		
Profit/(loss) from continuing operations attributable to the equity holders of the Group:		
Used in calculating diluted earnings/(loss) per share	**9,139**	**(23,631)**
Profit/(loss) attributable to the equity holders of the Group used in calculating diluted EPS	**9,139**	**(23,631)**

Comparative information has been restated to reflect the restatement of prior period depreciation as detailed in note 26(b).

(d) Weighted average number of shares used as the denominator

	2022 Number of shares	2021 Number of shares
Weighted average number of ordinary shares used as the denominator in calculation basic earnings/(loss) per share	**456,477,169**	455,583,336
Plus potential ordinary shares	**2,501,174**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	**458,978,343**	**455,583,336**

2 Earnings/(loss) per share (continued)

(e) Information concerning the classification of securities

(i) Performance rights and deferred rights

The number of performance rights and deferred rights included in the diluted earnings per share calculation is based on the number of shares that would be issuable if the end of the period were the end of the vesting period. However, they are not included in the calculation where the inclusion would result in a decreased loss per share or increased earnings per share.

(f) Earnings/(loss) per share

(i) Basic earnings/(loss) per share

- the profit/(loss) attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Revenue and other income

	30 June 2022 $'000	30 June 2021 $'000
FROM CONTINUING OPERATIONS		
Data centre services revenue	**291,044**	246,065
Total revenue	**291,044**	**246,065**
Interest income	**1,757**	3,932
Other items included in gains	**929**	452
Total other income	**2,686**	4,384

(a) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward revenue received in advance.

	30 June 2022 $'000	30 June 2021 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Data centre services revenue	**8,863**	6,219

3 Revenue and other income (continued)

(b) Revenue recognition

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.

Revenue is recognised for the major business activities as follows:

(i) Data centre services

Data centre services revenue primarily consists of recurring monthly service fees and upfront project fees.

Revenue from the provision of recurring monthly service fees is recognised in the accounting period in which the services are rendered. Project fees primarily comprise installation services relating to a customer's initial deployment. As this is not considered to be a distinct service, revenue is deferred and recognised over the term of the contract with the customer, taking into account renewal options that are held by the customer.

The Group applies the practical expedient in the revenue standard and does not disclose information about the transaction price allocated to remaining performance obligations on contracts that are unsatisfied, as the Group has the right to consideration from its customers in an amount that corresponds directly with the value to the customer of the Group's services to date. This is applied to all its data centre services revenue, on the basis that the upfront project fees are not a significant portion of each contract.

The Group enters into contracts with customers that guarantee certain performance measures such as uptime and on time delivery of services. If these guarantees of service performance are not achieved, the Group reduces revenue for any credits or cash payments that may be due to customers under contract. Key areas of estimation include the amount of the service credits, the likelihood that the service credits will be claimed, and the time period over which they impact revenue.

Customer incentives provided by way of upfront discounts are contract assets that are amortised via a reduction in revenue over the expected contract life - refer to note 6(c).

(ii) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

4 Expenses

(a) Finance costs

The Group has identified a number of significant expense items below that impacted financial performance for the year:

	30 June 2022 $'000	30 June 2021 $'000
Costs on extinguishment of Notes and loans	**(23,290)**	(14,187)
Interest expense and finance charges	**(46,923)**	(43,883)
Interest expense on lease liabilities	**(5,537)**	(5,507)
Modification gain	**26,481**	-
Total	**(49,269)**	**(63,577)**

During the year NEXTDC completed an amendment to its existing Senior Debt Facilities. The refinance included an upsize of $650 million to a new aggregate limit of $2.5 billion, together with material pricing, flexibility enhancements and extended tenors ("New Facilities").

The New Facilities are summarised as follows:

- $800 million - Term Loan Facility
- $600 million - Capital Expenditure Facility
- $800 million - Revolving Credit Facility (multi-currency)
- $300 million - Term Loan Facility

The refinance of the $800 million Term Loan Facility was deemed a modification of the original facility, and due to a decreased interest rate and extended tenor in the new facility, a modification gain of $26.5 million was recognised immediately in profit and loss.

Due to the increase in the Capital Expenditure and Revolving Credit Facilities these were deemed an extinguishment of the original facilities. The remaining costs previously capitalised for the establishment of these facilities were written off in December 2021 for an amount totalling $21.9 million. Further costs of $2 million incurred in relation to the refinance were also expensed during the year, bringing total cost on extinguishment of the loans to $23.9 million.

Remaining new costs of $10.3 million incurred in relation to the upsize of debt facility were capitalised across the new facilities in December 2021.

Refer to note 14 for details on borrowings and note 10 for details on interest expense on lease liabilities for the year.

Operating assets and liabilities

5 Trade and other receivables

	Note	**30 June 2022 $'000**	30 June 2021 $'000
Trade receivables	5(a)	**31,964**	39,777
Loss allowance	13(c)	**(2,467)**	(2,047)
		29,497	**37,730**
Interest receivable	5(b)	**486**	132
GST receivable		**3,321**	2,241
Other receivables		**11,031**	9,613
Total		**44,335**	**49,716**

(a) Trade receivables

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 - 60 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

(ii) Fair values of trade and other receivables

Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value.

(iii) Impairment and risk exposure

Information about the Group's impairment policies, calculation of loss allowance and exposure to credit risk, foreign currency risk and interest rate risk can be found in note 13.

(b) Interest receivable

Interest receivable relates to interest accrued on term deposits. Credit risk of this is assessed in the same manner as cash and cash equivalents which is detailed in note 13.

6 Other assets

		30 June 2022 $'000	30 June 2021 $'000
CURRENT			
Prepayments		**4,562**	4,874
Capitalised transaction costs	6(a)	**732**	3,089
Security deposits	6(b)	**10,943**	4,454
Customer incentives	6(c)	**2,629**	986
Other current assets		**869**	809
Contract costs	6(d)	**621**	435
Total other assets - current		**20,356**	**14,647**

		30 June 2022 $'000	30 June 2021 $'000
NON-CURRENT			
Customer incentives	6(c)	**9,040**	1,900
Capitalised transaction costs	6(a)	**4,271**	20,113
Contract costs	6(d)	**857**	686
Total other assets - non-current		**14,168**	**22,699**

(a) Capitalised transaction costs

Fees paid on establishment of loan facilities are recognised as transaction costs of the loan. To the extent that it is probable that some or all of the facility will be drawn down, the fee is deferred until draw down occurs, at which point it will be amortised over the remaining term of the facility. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. Refer to note 14 for further details on the Group's loan facilities.

(b) Security deposits

Included in the security deposits was $8.8 million (2021: $4.0 million) relating to deposits held as security for bank guarantees.

(c) Customer incentives

The customer incentives balance includes amounts where customers are offered incentives in the form of free or discounted periods. It also includes amounts paid to customers where guarantees of service performance are not achieved as set out in Note 3(b)(i). In these cases, the dollar value of the incentive or cash payment is recorded as an asset and amortised on a straight line basis over the life of the contract as described in Note 3(b)(i).

(d) Contract costs

Eligible costs that are expected to be recovered are capitalised as a contract cost and amortised over the expected customer life.

7 Trade and other payables

	30 June 2022 $'000	30 June 2021 $'000
Trade payables	**18,306**	37,305
Accrued capital expenditure	**41,272**	2,835
Accrued expenses	**9,694**	7,875
Other creditors	**12,334**	7,995
Total trade and other payables	**81,606**	**56,010**

(i) Recognition and measurement

Trade and other payables, including accruals, are recorded when the Group is required to make future payments as a result of purchases of assets or services provided to the Group prior to the end of financial period. 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 from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Fair values of trade and other payables

Due to the short-term nature of trade and other payables, their carrying amount is considered to be the same as their fair value.

(iii) Risk Exposure

As the majority of payables are in Australian dollars, management does not believe there are any significant risks in relation to these financial liabilities. Refer to note 13 for details of the Group's financial risk management policies.

8 Property, plant and equipment

Movements	Assets in the course of construction $'000	Land and buildings $'000	Plant and machinery $'000	Computer equipment $'000	Office furniture and equipment $'000	Right of use assets $'000	Total $'000
30 June 2022							
Opening net book amount	211,144	915,769	660,992	16,602	1,759	74,737	1,881,003
Exchange differences	(219)	-	-	-	-	-	(219)
Additions	576,973	9,218	745	568	9	-	587,513
Depreciation charge	-	(18,364)	(73,026)	(6,804)	(365)	(4,314)	(102,873)
Disposal/ write off	(1,678)	-	-	(14)	(2)	-	(1,694)
Transfers	(205,918)	121,104	73,450	11,293	71	-	-
Transfers to intangibles	(4,671)	-	-	-	-	-	(4,671)
Closing net book amount	**575,631**	**1,027,727**	**662,161**	**21,645**	**1,472**	**70,423**	**2,359,059**
Cost	575,631	1,083,941	963,513	44,940	3,598	86,135	2,757,758
Accumulated depreciation	-	(56,214)	(301,352)	(23,295)	(2,126)	(15,712)	(398,699)
Net book amount	**575,631**	**1,027,727**	**662,161**	**21,645**	**1,472**	**70,423**	**2,359,059**

	Assets in the course of construction $'000	Land and buildings $'000	Plant and machinery $'000	Computer equipment $'000	Office furniture and equipment $'000	Right of use assets $'000	Total $'000
30 June 2021 - restated#							
Opening net book amount	223,375	753,391	605,684	8,861	1,330	78,174	1,670,815
Exchange differences	(422)	-	-	-	-	-	(422)
Additions	290,373	3	2,799	532	8	778	294,493
Depreciation charge	-	(18,189)	(64,892)	(5,186)	(461)	(4,157)	(92,885)
Disposal/ write off	-	-	-	-	-	(58)	(58)
Transfers#	(311,242)	180,564	117,401	12,395	882	-	-
Transfers to intangibles	9,060	-	-	-	-	-	9,060
Closing net book amount	**211,144**	**915,769**	**660,992**	**16,602**	**1,759**	**74,737**	**1,881,003**
Cost or fair value#	211,144	953,620	889,318	33,093	3,520	86,135	2,176,830
Accumulated depreciation	-	(37,851)	(228,326)	(16,491)	(1,761)	(11,398)	(295,827)
Net book amount	**211,144**	**915,769**	**660,992**	**16,602**	**1,759**	**74,737**	**1,881,003**

#Comparative information has been restated to reflect the restatement of prior period depreciation as detailed in note 26(b).

8 Property, plant and equipment (continued)

(a) Property, plant and equipment

Land and buildings are shown at historical cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment is stated at historical cost less depreciation. Costs capitalised include external direct costs of materials and services and employee costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Category	**Useful life**
Buildings	40 years
Plant and machinery	2-25 years
Computer equipment	1-15 years
Office furniture and equipment	5-10 years
Right-of-use assets	1-41 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year, considering key assumptions including changes in technology, physical conditions and potential climate change implications.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Consolidated Statement of Comprehensive Income.

9 Intangible assets

	30 June 2022 $'000	30 June 2021 $'000
Rights and licences	**192**	13
Internally generated software	**22,176**	15,673
Software under development	**15,850**	5,059
Total intangible assets	**38,218**	**20,745**

9 Intangible assets (continued)

Movements	Rights and licenses $'000	Internally generated software $'000	Software under development $'000	Total $'000
30 June 2022				
Opening net book amount at 1 July 2021	13	15,673	5,059	20,745
Additions – externally acquired	6	472	-	478
Additions – internally developed	-	-	16,791	16,791
Amortisation	(20)	(3,960)	-	(3,980)
Transfers	193	9,991	(10,184)	-
Transfers from property, plant and equipment	-	-	4,671	4,671
Disposals/write off	-	-	(487)	(487)
Closing net book amount	**192**	**22,176**	**15,850**	**38,218**
At 30 June 2022				
Cost	212	36,885	15,850	52,947
Accumulated amortisation	(20)	(14,709)	-	(14,729)
Net book amount	**192**	**22,176**	**15,850**	**38,218**

	Rights and licences $'000	Internally generated software $'000	Software under development $'000	Total $'000
30 June 2021				
Opening	13	14,101	13,105	27,219
Additions – internally developed	-	1,590	5,141	6,731
Amortisation	-	(4,145)	-	(4,145)
Transfers	-	4,127	(4,127)	-
Transfer between classes	-	-	(9,060)	(9,060)
Closing net book amount	**13**	**15,673**	**5,059**	**20,745**
At 30 June 2021				
Cost	13	26,422	5,059	31,494
Accumulated amortisation	-	(10,749)	-	(10,749)
Net book amount	**13**	**15,673**	**5,059**	**20,745**

(a) Intangible assets

RIGHTS AND LICENCES

Certain licences that NEXTDC possesses have an indefinite useful life and are carried at cost less impairment losses and are subject to impairment review at least annually and whenever there is an indication that it may be impaired.

Other licences that NEXTDC acquires are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful life which is generally 25 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

9 Intangible assets (continued)

(a) Intangible assets (continued)

INTERNALLY GENERATED SOFTWARE

Internally developed software is capitalised at cost less accumulated amortisation. Amortisation is calculated using the straight-line basis over the asset's useful economic life which is generally four to seven years. Their useful lives and potential impairment are reviewed at the end of each financial year.

Costs incurred in configuring or customising SaaS arrangements can only be recognised as intangible assets if the implementation activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Those costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangements to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

SOFTWARE UNDER DEVELOPMENT

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services and employee costs.

Assets in the course of construction include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

10 Leases

(a) Leases

(i) Amounts recognised in the Consolidated Balance Sheet

The Consolidated Balance Sheet includes the following amounts relating to leases:

	30 June 2022 $'000	30 June 2021 $'000
Right-of-use assets *		
Properties	**61,985**	65,794
Motor Vehicles	**18**	92
Connectivity Links	**8,420**	8,851
	70,423	**74,737**

* included in the line item 'Property, plant and equipment' in the Consolidated Balance Sheet.

	30 June 2022 $'000	30 June 2021 $'000
Lease liabilities		
Current	**6,232**	5,970
Non-current	**70,628**	71,325
	76,860	**77,295**

Additions to the right-of-use assets during the 2022 financial year were nil (2021 : $0.8 million).

(ii) Amounts recognised in the Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income shows the following amounts relating to leases:

	30 June 2022 $'000	30 June 2021 $'000
Depreciation charge on Properties	**3,817**	3,651
Depreciation charge on Motor Vehicles	**76**	83
Depreciation charge on Connectivity Links	**421**	423
Interest expense (included in Finance costs)	**5,537**	5,507
	9,851	**9,664**

The total cash outflow for leases in 2022 was $6.0 million (2021 : $5.7 million).

(iii) The Group's leasing activities and how these are accounted for

The Group has a number of leases over property, motor vehicles, and connectivity links that have varying terms, escalation clauses and renewal rights.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

10 Leases (continued)

(a) Leases (continued)

(iii) The Group's leasing activities and how these are accounted for (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, eg. term, country, currency and security.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Capital and financial risk management

11 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to its shareholders and benefits to its stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In the future, the Directors may pursue funding options such as debt, sale and leaseback of assets, additional equity and various other funding mechanisms as appropriate in order to undertake its projects and deliver optimum shareholders' return.

The Group intends to maintain a gearing ratio appropriate for a company of its size and growth.

	30 June 2022 $'000	Restated# 30 June 2021 $'000
Total borrowings and lease liabilities	**1,135,622**	860,451
Derivative financial instruments	**(35,988)**	333
Less: cash and cash equivalents	**(456,562)**	(652,334)
Net debt (surplus cash)	**643,072**	**208,450**
Total equity	**1,698,528**	1,660,458
Total capital	**2,341,600**	**1,868,908**
Gearing ratio	**27.5%**	**11.2%**

Comparative information has been restated to reflect the restatement of prior period depreciation as detailed in note 26(b).

The change in the gearing ratio was primarily driven by the increase in total borrowings and reduction in cash in order to finance capital expenditure during the period. Refer to note 8 for movements in property, plant and equipment.

The Group manages its capital structure by regularly reviewing its gearing ratio to ensure it maintains an appropriate level of gearing within facility covenants. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest bearing financial liabilities, less cash and cash equivalents. Total capital is calculated as equity, as shown in the Consolidated Balance Sheet, plus net debt.

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12 Contributed equity

(a) Share capital

	Note	**30 June 2022 Number of Shares**	**30 June 2022 $**	30 June 2021 Number of Shares	30 June 2021 $
Fully paid ordinary shares	12(c)	**456,654,443**	**1,762,662,999**	455,803,059	1,759,777,301
Treasury shares - LFSP	12(e)	**861,813**	**1,851,502**	861,813	1,851,502
Total share capital		**457,516,256**	**1,764,514,501**	**456,664,872**	**1,761,628,803**

(b) Movements in ordinary share capital

Date	**Details**	**Notes**	**Number of shares**	**$'000**
	Opening balance		455,908,277	1,759,114
15 September 2020	Conversion of rights to shares	(d)	756,595	2,546
	Transaction costs		-	(31)
	Sub-total		**456,664,872**	**1,761,629**
	Less shares held by NEXTDC Share Plan Pty Ltd	(e)	(861,813)	(1,852)
	Balance		**455,803,059**	**1,759,777**

Date	**Details**	**Note**	**Number of shares**	**$'000**
	Opening balance		456,664,872	1,761,629
15 September 2021	Conversion of rights to shares	(d)	851,384	2,912
	Transaction costs		-	(26)
	Sub-total		**457,516,256**	**1,764,515**
	Less shares held by NEXTDC Share Plan Pty Ltd	(e)	(861,813)	(1,852)
	Balance		**456,654,443**	**1,762,663**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

12 Contributed equity (continued)

(d) Performance rights and deferred share rights

Performance rights and deferred share rights, which subject to satisfaction of a performance hurdle, give rise to an entitlement to the value of an ordinary share in NEXTDC Limited. The Board has discretion to determine if the value will be provided in shares, cash or a combination of shares and cash. The Board determined that 100% of the FY19 LTI and those FY20 deferred STIs that elected to take shares rather than cash, would vest in shares, with 851,384 shares issued to employees on 15 September 2021.

(e) Loan funded share plan

The Group operated a legacy Loan Funded Share Plan remuneration scheme which was designed to attract and retain key employees. The arrangement involved the issue of shares to NEXTDC Share Plan Pty Ltd, whose sole purpose was to hold shares as trustee for its beneficiaries (its participants). The participants were required to meet service requirements before being entitled to access these shares.

The fair value at grant date of the shares was determined using either a Black-Scholes or binomial option pricing model that took into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the loan. The assessed fair value was recognised as share-based payments.

	30 June 2022	30 June 2021
Shares held by the Trust but not allocated	**861,813**	861,813

(f) Dividend reinvestment plan

The Group does not have a dividend reinvestment plan in place.

13 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

During the financial year, NEXTDC completed an amendment to its existing Senior Debt Facilities. The refinance included an upsize of $650 million to a new aggregate limit of $2.5 billion, together with material pricing, flexibility enhancements and extended tenors ("New Facilities").

The New Facilities are summarised below:

• $800 million - Term Loan Facility (fully drawn)
• $600 million - Capital Expenditure Facility (undrawn)
• $800 million - Revolving Credit Facility (multi-currency) (undrawn)
• $300 million - Term Loan Facility (fully drawn)

The facilities have a maturity date of 3 December 2026, except for the $300 million Term Loan Facility, which has a maturity date of 3 December 2028.

NEXTDC management has sought to mitigate the interest rate risk associated with the floating BBSY rate from the Term Loan Facility by swapping its BBSY exposure for a fixed rate in relation to its Term Loan Facilities.

Accordingly, on 3 December 2020, NEXTDC entered into $800 million in interest rate swaps (apportioned equally between five financial institutions on identical terms) to receive three-month BBSY and pay 0.24580% per annum. The swaps contain a floor option at 0% to match the terms of the Term Loan Facility. Following the extended maturity date arising under the New Facilities, management has extended the original hedge by a further year at a rate of 1.8290%. NEXTDC also entered into a three year $300 million interest rate swap on 3 December 2021 to receive three-month BBSY and pay 1.5140% per annum fixed rate, to hedge the first three years of variable interest cash flows on the $300 million Term Loan Facility.

The Group's transactions are predominantly conducted in Australian dollars. Overall, management assesses the Group's exposure to financial risk as low. However, the Group does have a financial risk management program in place. The Group does not enter into or trade financial instruments for speculative purposes.

The Group holds the following financial instruments:

	30 June 2022 $'000	30 June 2021 $'000
FINANCIAL ASSETS		
Cash and cash equivalents	**456,562**	652,334
Trade and other receivables	**44,335**	49,716
Derivative financial instruments	**35,988**	-
Security deposits	**10,943**	4,454
Total financial assets	**547,828**	**706,504**

13 Financial risk management (continued)

	30 June 2022 $'000	30 June 2021 $'000
FINANCIAL LIABILITIES		
Trade and other payables	**81,606**	56,010
Derivative financial instruments	**-**	333
Borrowings	**1,058,762**	783,156
Lease liabilities	**76,860**	77,295
Total financial liabilities	**1,217,228**	**916,794**

(a) Derivatives

(i) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives refer to note 26 (j)(ii).

(ii) Hedging reserves

The Group's hedging reserves relate to the following hedging instruments:

	Cash flow hedge reserve		
	Cost of hedging reserve $'000	**Cashflow hedge reserve $'000**	**Total hedge reserves $'000**
Opening balance 1 July 2020	**-**	**-**	**-**
Add: Change in fair value of hedging instrument recognised in OCI	-	(1,026)	(1,026)
Add: Costs of hedging deferred and recognised in OCI	12	-	12
Less: reclassified from OCI to profit or loss	88	593	681
Closing balance 30 June 2021	**100**	**(433)**	**(333)**
Opening balance 1 July 2021	100	(433)	(333)
Add: Change in fair value of hedging instrument recognised in OCI	-	33,421	33,421
Add: Costs of hedging deferred and recognised in OCI	(640)	-	(640)
Less: reclassified from OCI to profit or loss - included in finance costs	246	2,989	3,235
Less: Deferred tax	-	(10,797)	(10,797)
Closing balance 30 June 2022	**(294)**	**25,180**	**24,886**

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. As all critical terms matched during the year, there is an economic relationship.

13 Financial risk management (continued)

(a) Derivatives (continued)

Hedge effectiveness (continued)

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Group is comprised of foreign exchange risk and interest rate risk.

(i) Foreign exchange risk

The Group does not have any significant operations outside Australia and its transactions are predominantly conducted in Australian dollars. Consequently, management has determined that the Group does not have significant exposure to foreign exchange risk. On this basis, the Group does not have any active risk mitigation strategies in relation to foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from its various fixed-rate term deposits and its syndicated debt facility (refer to note 14(a)). The floating rate Term Loan exposes the Group's borrowings to changes in interest rates. The interest rates for the lease liabilities are fixed, consequently the interest rate risk in relation to these instruments is limited.

Instruments used by the group

The Group has incorporated derivative financial instruments to manage its exposure to interest rates. Under an interest rate swap, the Group agrees to exchange the difference between the contracted fixed and floating rate interest amounts determined on a notional principal amount. Within this interest rate swap, there is an embedded floor option at 0%, which is consistent with the terms of the hedged Term Loan.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period:

	Average contracted fixed interest rate		**Notional principal amount (AUD)**		**Fair value (AUD)**	
Receive floating pay fixed	**2022 %**	2021 %	**2022 $'000**	2021 $'000	**2022 $'000**	2021 $'000
Less than 1 year	0.2458%	-	800,000	-	6,449	-
1 to 2 years	1.7431%	0.2458%	1,100,000	800,000	29,539	(333)

Effects of hedge accounting on the consolidated financial position and performance

	30 June 2022 $'000	30 June 2021 $'000
Interest rate swaps		
Hedge ratio	**1:1**	1:1
Change in fair value of outstanding hedging instruments since 1 July	**38,138**	333
Change in value of hedged item used to determine hedge effectiveness	**38,017**	346

13 Financial risk management (continued)

(b) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

SENSITIVITY

The table below shows the impact of 100 basis points movement (net of hedging) in the interest rate curve on the consolidated entity's profit and equity after tax for both derivatives and non-derivative financial instruments at 30 June 2022, with all other variables held constant.

	Impact on post-tax profit		Impact on other components of equity	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Interest rate - increase by 100 basis points *	**-**	-	**10,746**	6,736
Interest rate - decrease by 100 basis points *	**-**	-	**(10,658)**	(1,636)

* Holding all other variables constant

(c) Credit risk

Credit risk arises from counterparties holding cash and cash equivalents, security deposits, trade and other receivables, and derivatives.

(i) Cash and cash equivalents and security deposits

Deposits are placed with Australian banks or independently rated parties with a minimum rating of 'A' class in both short term and long term. To reduce exposure deposits are placed with a variety of financial institutions.

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	30 June 2022 $'000	30 June 2021 $'000
CASH AT BANK		
A rated	**93,826**	120,089
AA rated	**362,736**	532,245
TOTAL	**456,562**	**652,334**
SECURITY DEPOSITS		
AA Rated	**8,840**	3,973
Unrated	**2,103**	481
TOTAL	**10,943**	**4,454**

In determining the credit quality of these financial assets, NEXTDC has used the long-term rating from Standard & Poor's as of July 2022.

(ii) Trade and other receivables

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit evaluations are performed on all customers. Outstanding customer receivables are monitored regularly.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT CONTINUED
30 JUNE 2022

13 Financial risk management (continued)

(c) Credit risk (continued)

(ii) Trade and other receivables (continued)

The Group aims to minimise concentration of credit risk by undertaking transactions with a large number of customers. Revenues from data centre services of $130.8m were derived from two customers, contributing $66.7m (23%) and $64.0m (22%) respectively (2021: $64.4m (26%) and $41.1m (17%) respectively). Revenues from these two customers were derived across numerous orders at multiple data centre facilities with the underlying orders having a range of different expiry dates. In addition, receivable balances are monitored on an ongoing basis with the intention that the Group's exposure to bad debts is minimised.

The maximum exposure to credit risk at the end of the reporting period is the carrying value of each class of the financial assets mentioned above and each class of receivable disclosed in Note 5. The Group does not require collateral in respect of financial assets.

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables.

To measure the expected credit loss, receivables have been grouped based on days overdue. The methodology applied in estimating expected credit losses below is consistent with that applied for the year ended 30 June 2021. The impact of COVID-19 on the economy and how Governments, businesses and consumers will respond is uncertain.

The judgements and associated assumptions have been made within the context of the impact of COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the current circumstances, such as the duration of the pandemic, the impacts and actions of governments, the responses of businesses and consumers across different industries, and the associated impact on the global economy. Accordingly, the Group's expected credit loss estimates are inherently uncertain, and as a result, actual results may differ from these estimates.

The loss allowance provision as at 30 June 2022 is determined as follows:

30 June 2022	Current $'000	0 to 30 days past due $'000	31 to 60 days past due $'000	More than 60 days past due $'000	Total $'000
Expected loss rate	2%	10%	15%	50%	-
Gross carrying amount	25,667	2,395	677	3,225	31,964
Loss allowance provision	513	239	102	1,613	2,467
Net receivables	25,154	2,156	575	1,612	29,497

30 June 2021	Current $'000	0 to 30 days past due $'000	31 to 60 days past due $'000	More than 60 days past due $'000	Total $'000
Expected loss rate	2%	10%	15%	50%	-
Gross carrying amount	34,485	3,022	228	2,042	39,777
Loss allowance provision	690	302	34	1,021	2,047
Net receivables	33,795	2,720	194	1,021	37,730

(iii) Derivatives

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the derivative transaction contract to meet their obligations. The credit risk exposure to interest rate swaps is the fair value of these contracts. All derivative financial instruments are with our major international banking partners, all of which have a minimum credit rating of 'A' in the long-term rating from Standard & Poor's as of July 2022.

13 Financial risk management (continued)

(d) Liquidity risk

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

Management also actively monitors rolling forecasts of the Group's cash and cash equivalents.

(i) Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual Maturities of Financial Liabilities 2022	Within 12 months $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Trade payables	**18,306**	**-**	**-**	**18,306**	**18,306**
Accrued capital expenditure	**41,272**	**-**	**-**	**41,272**	**41,272**
Accrued expenses	**9,694**	**-**	**-**	**9,694**	**9,694**
Lease liabilities	**6,231**	**24,992**	**155,609**	**186,832**	**76,860**
Borrowings	**35,935**	**889,285**	**315,725**	**1,240,945**	**1,058,762**
Total non-derivatives	**111,438**	**914,277**	**471,334**	**1,497,049**	**1,204,894**
Derivatives	**19,056**	**18,588**	**-**	**37,644**	**35,988**
Total derivatives	**19,056**	**18,588**	**-**	**37,644**	**35,988**
2021					
Trade payables	37,304	-	-	37,304	37,304
Accrued capital expenditure	2,835	-	-	2,835	2,835
Accrued expenses	7,875	-	-	7,875	7,875
Lease liabilities	5,970	25,313	161,520	192,803	77,295
Borrowings	20,580	872,439	-	893,019	783,156
Total non-derivatives	**74,564**	**897,752**	**161,520**	**1,133,836**	**908,465**
Derivatives	-	336	-	336	333
Total Derivatives	**-**	**336**	**-**	**336**	**333**

(e) Fair value measurements

(i) Trade and other payables

The fair value of trade and other payables is disclosed in note 7.

(ii) Borrowings

The fair value of borrowings is disclosed in note 14(c).

14 Borrowings

	30 June 2022 $'000	30 June 2021 $'000
NON-CURRENT		
Borrowings	**1,058,762**	783,156

(a) Bank loan

The Company's $2.5 billion New Facilities comprise the following tranches:

- $800 million - Term Loan Facility
- $600 million - Capital Expenditure Facility
- $800 million - Revolving Credit Facility (multi-currency)
- $300 million - Term Loan Facility

The $800 million Term Loan Facility has a maturity date of 3 December 2026, while the $300 million Term Loan Facility has a maturity of 3 December 2028.

As at 30 June 2022 the $600 million Capital Expenditure Facility and $800 million Revolving Credit Facility (multi-currency) remained undrawn. Both of these facilities have a maturity date of 3 December 2026.

NEXTDC is exposed to interest rate volatility due to the variable rate on its $800 million and $300 million Term Loan Facilities. To mitigate the interest rate risk associated with this floating instrument, NEXTDC entered into a two year $800 million interest rate swap on 3 December 2020 (apportioned equally between five financial institutions on identical terms) to receive variable and pay a fixed rate per annum. Management has extended the original hedge on the first two years of variable interest cash flows by entering into new swaps for a further year, for the increase in tenor of the $800 million Term Loan Facility. Management also entered into a three year $300 million interest rate swap on 3 December 2021 to hedge the first three years of variable interest cash flows on the $300 million Term Loan Facility.

A derivative asset and associated cash flow hedge reserve has been taken up at 30 June 2022 to account for these transactions.

(b) Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2022 financial year (2021: complied).

14 Borrowings (continued)

(c) Fair value

Material differences are identified for the following borrowings:

	2022 Carrying amount $'000	**Fair value $'000**	2021 Carrying amount $'000	Fair value $'000
Term loan facility	**1,058,762**	**1,123,983**	783,156	788,436

(d) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan. To the extent that it is probable that some or all of the facility will be drawn down, the fee is deferred until the draw down occurs, at which point it will be amortised over the remaining term of the facility. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Items not recognised

15 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of each reporting year but not recognised as liabilities is as follows:

	30 June 2022 $'000	30 June 2021 $'000
Property, plant and equipment	**253,282**	300,022
Total capital commitments	**253,282**	**300,022**

16 Contingencies

(a) Contingent assets

The Group did not have any contingent assets during the year or as at the date of this report.

(b) Contingent liabilities

The Group did not have any contingent liabilities during the year or as at the date of this report.

GUARANTEES

For information about guarantees given by entities within the Group, please refer to Note 6(b).

17 Events occurring after the reporting period

No matters or circumstances have arisen since 30 June 2022 that have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Employee remuneration

18 Key management personnel

(a) Key management personnel compensation

	30 June 2022 $	30 June 2021 $
Short-term employee benefits	**7,176,458**	6,206,705
Post-employment benefits	**168,639**	152,364
Long-term benefits	**75,775**	51,815
Share-based payments	**1,873,567**	1,729,838
Total key management personnel compensation	**9,294,439**	**8,140,722**
Comprising		
Senior Executives	**8,009,439**	7,043,028
Non-Executive Directors	**1,285,000**	1,097,694
Total	**9,294,439**	**8,140,722**

Detailed remuneration disclosures are provided in the Remuneration Report.

(b) Loans to key management personnel

There were no loans made to key management personnel during the year (2021: nil).

(c) Other transactions with key management personnel

There were no other transactions with key management personnel during the year (2021: nil).

19 Share-based payments

(a) Performance rights

The performance rights plan was established by the Board of Directors to provide long-term incentives to the Group's Senior Executives based on total shareholder returns (TSR) taking into account the Group's financial and operational performance. Under the Plan, eligible participants may be granted performance rights on terms and conditions determined by the Board from time to time. Outstanding performance rights were granted during the course of FY20, FY21 and FY22. The vesting conditions for the FY20 and FY21 grants relate to TSR exceeding the ASX 200 Accumulation Index over the measurement period, while the vesting conditions for the FY22 grant relate to TSR exceeding the ASX 100 Accumulation Index over the measurement period. Vesting of the FY20 and FY21 rights will be tested on or around the day following the release of each of the annual results for the years ended 30 June 2022 and 2023. The FY22 rights include tranches which vest after the third and fourth years, and will be tested on or around the day following the release of each of the annual results for 2024 and 2025 respectively.

Performance rights are granted by the Company for nil consideration. The Board has discretion to determine if the value will be provided in shares, cash or a combination of shares and cash. Rights granted under the plan carry no dividend or voting rights.

The fair value of the rights at the date of valuation was determined using the Black-Scholes Option Pricing Model to be equal to the volume weighted-average price (VWAP) ending on the day before the grant date, less the dividends expected over the period from the expected grant date to the completion of the measurement period, adjusted for the expected probability of achieving the vesting conditions.

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19 Share-based payments (continued)

(a) Performance rights (continued)

	30 June 2022 Number of Rights	30 June 2022 Average Fair Value	30 June 2021 Number of Rights	30 June 2021 Average fair value
Opening balance	**1,966,120**	**$4.24**	2,326,172	$3.53
Granted during the year	**501,888**	**$6.09**	402,348	$6.58
Vested during the year	**(808,963)**	**$3.07**	(743,078)	$3.32
Forfeited during the year	**(30,243)**	**$5.39**	(19,322)	$3.07
Closing balance	**1,628,802**	**$5.37**	**1,966,120**	**$4.24**

(b) Deferred shares - executives short-term incentive scheme

Under the Group's short-term incentive (STI) scheme for FY21, executives received 50% of the annual STI achieved in cash, with 50% deferred for 12 months. Executives were able to elect whether the deferred component would be delivered in cash or equity. The FY21 tranche of deferred rights were granted in September 2021 and will vest on or around September 2022, being 12 months after the date on which they were granted. They automatically convert into one ordinary share each on vesting at an exercise price of nil. The executives do not receive any dividends and are not entitled to vote in relation to the deferred shares during the vesting period. If an executive ceases to be employed by the Group within this period, they will have 6 months from cessation of employment or the vesting date (whichever is later) to exercise the deferred share right. Any rights not exercised within this period will automatically lapse.

The number of rights to be granted was determined based on the currency value of the achieved STI divided by the volume weighted-average price at which the Company's shares were traded on the Australian Securities Exchange over the 10 days following the release of the Group's FY21 results, being $13.41.

	2022	2021
Number of rights to deferred shares granted	**45,137**	42,421

(c) Expenses arising from share-based payment transactions

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

	30 June 2022 $'000	30 June 2021 $'000
Performance rights	**2,767**	2,752
Shares issued under employee share scheme	**220**	243
Total expenses arising from share-based payment transactions	**2,987**	**2,995**

Other

20 Income tax

(a) Income tax expense

	30 June 2022 $'000	Restated# 30 June 2021 $'000
Current tax		
Current tax on profits for the period	**-**	332
Previously unrecognised tax losses now recouped to reduce current tax expense	**-**	(332)
Sub-total	**-**	-
Deferred income tax		
Decrease / (increase) in deferred tax assets less deferred tax credited to equity	**(18,815)**	384
Increase / (decrease) in deferred tax liabilities	**8,018**	(384)
Sub-total	**(10,797)**	-
Income tax (benefit)/expense is attributable to:		
Profit/(loss) from continuing operations	**(10,797)**	-
	(10,797)	-

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

	30 June 2022 $'000	Restated# 30 June 2021 $'000
Profit/(loss) from continuing operations before income tax expense	**(1,658)**	(23,631)
Tax at the Australian tax rate of 30%	**(497)**	(7,089)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**(2,618)**	(1,625)
Prior period adjustments	**(256)**	247
Previously unrecognised tax losses now recouped to reduce current tax expense	**-**	(332)
Derecognition/(re-recognition) of temporary differences	**(8,181)**	8,558
Permanent differences	**755**	36
Sundry items	**-**	205
Income tax (benefit)/expense	**(10,797)**	-

20 Income tax (continued)

(c) Amounts recognised directly in equity

	30 June 2022 $'000	Restated# 30 June 2021 $'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 credited directly to equity	**10,797**	-

(d) Tax losses

	30 June 2022 $'000	Restated# 30 June 2021 $'000
Unused tax losses for which no deferred tax asset has been recognised	**56,909**	33,650
Potential tax benefit @ 30.0%	**17,073**	10,095

Comparative information has been restated to reflect the restatement of prior period depreciation as detailed in note 26(b).

Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate in Australia adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Australia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

21 Deferred tax

(a) Deferred tax assets

	30 June 2022 $'000	Restated# 30 June 2021 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**17,073**	10,095
Black-hole expenditure deductible in future years	**2,282**	3,315
Property, plant and equipment	**2,104**	2,104
Lease liabilities	**23,058**	23,188
Employee benefits	**3,952**	2,841
Loss allowances	**740**	614
Expenses deductible in future years	**1,943**	314
Revenue received in advance	**18,063**	18,684
R&D offsets	**2,046**	2,046
Derivative	**-**	101
Investment in associates	**2,932**	-
Total deferred tax assets	**74,193**	**63,302**
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 21(b))	**(40,380)**	(21,565)
Deferred tax assets not recognised	**(33,813)**	(41,737)
Net deferred tax assets	**-**	**-**

Comparative information has been restated to reflect the restatement of prior period depreciation as detailed in note 26(b).

Deferred tax assets may be a combination of unused tax losses, offsets and timing differences based on management's foreseeable forecasts, to the extent that it is probable that taxable profit will be available against which the losses, offsets and timing differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

In FY20 the Group derecognised deferred tax assets in relation to carry-forward tax losses and temporary differences as it believed they no longer met the requirement to be recognised, stemming from the impact that the recent growth and expansion activity has had on taxable profits. Despite the derecognition, these carry-forward tax losses and offsets can be carried forward indefinitely and have no expiry date.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT CONTINUED
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21 Deferred tax (continued)

(b) Deferred tax liabilities

	30 June 2022 $'000	30 June 2021 $'000
The balance comprises temporary differences attributable to:		
Lease assets	**22,514**	20,968
Property, plant and equipment	**38**	597
Borrowings	**7,031**	-
Derivatives	**10,797**	-
Total deferred tax liabilities	**40,380**	**21,565**
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 21(a))	**(40,380)**	(21,565)
Net deferred tax liabilities	**-**	**-**

22 Cash flow information

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	30 June 2022 $'000	Restated# 30 June 2021 $'000
Profit/(loss) for the year after income tax	**9,139**	**(23,631)**
Depreciation and amortisation	**106,853**	97,031
Non-cash employee benefits expense share-based payments	**2,987**	2,995
Senior debt modification gain	**(26,481)**	-
Costs on extinguishment of Notes and loans	**23,290**	14,178
Amortisation of borrowing costs	**8,437**	7,237
Net (gain) / loss on derivatives	**(304)**	-
Income tax benefit	**(10,797)**	-
Impairment of investment in associate	**7,921**	-
Share of (profit) / loss of associates	**1,879**	-
CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) / decrease in trade debtors	**4,472**	(5,374)
(Increase) / decrease in prepayments and other current assets	**(1,370)**	(887)
(Increase) / decrease in interest receivable	**(354)**	224
(Increase) / decrease in cash used in bank guarantees	**(4,867)**	5,824
(Increase) / decrease in GST	**(1,922)**	5,172
(Increase) / decrease in other assets	**(357)**	350
Decrease / (increase) in customer incentives	**(8,783)**	(1,364)
Decrease / (increase) in trade payables	**804**	3,182
Decrease / (increase) in other operating liabilities	**3,574**	(976)
Decrease / (increase) in employee entitlements	**4,304**	1,823
Decrease / (increase) in interest payable	**1,398**	-
Decrease / (increase) in revenue in advance	**(2,647)**	27,432
Net cash inflow from operating activities	**117,176**	**133,216**

Comparative information has been restated to reflect the restatement of prior period depreciation as detailed in note 26(b).

NOTES TO THE CONSOLIDATED FINANCIAL REPORT CONTINUED
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22 Cash flow information (continued)

(b) Net cash / (debt) reconciliation

Net cash / (debt)	**30 June 2022 $'000**	30 June 2021 $'000
Cash and cash equivalents	**456,562**	652,334
Borrowings - repayable within one year	**216**	(5,970)
Borrowings - repayable after one year	**(1,099,850)**	(854,814)
Net cash / (debt)	**(643,072)**	**(208,450)**
Cash and liquid investments	**456,562**	652,334
Gross debt - fixed interest rates	**(40,872)**	(77,628)
Gross debt - variable interest rates	**(1,058,762)**	(783,156)
Net cash / (debt)	**(643,072)**	**(208,450)**

		Liabilities from financing activities				
	Cash $'000	**Leases due within 1 year $'000**	**Leases due after 1 year $'000**	**Borrow. due within 1 year $'000**	**Borrow. due after 1 year $'000**	**Total $'000**
Net cash as at 1 July 2020	892,939	(5,057)	(71,777)	(301,811)	(496,426)	17,868
Cash flows	(240,605)	-	-	-	(54,324)	(294,929)
Other non-cash movements	-	(913)	452	301,811	(232,739)	68,611
Net debt as at 30 June 2021	652,334	(5,970)	(71,325)	-	(783,489)	(208,450)
Cash flows	(195,772)	-	-	-	(297,735)	(493,507)
Other non-cash movements	-	(262)	697	6,449	52,001	58,885
Net debt as at 30 June 2022	456,562	(6,232)	(70,628)	6,449	(1,029,223)	(643,072)

23 Remuneration of auditors

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers Australia (PwC), the auditor of the parent entity, NEXTDC Limited, by PwC's related network firms and by non-related audit firms:

(a) PwC Australia

Audit and other assurance services	2022 $	2021 $
Audit and review of financial statements	**615,350**	418,200
Other assurance services	**141,290**	19,890
Total remuneration for audit and other assurance services	**756,640**	**438,090**
Total services provided by PwC Australia	**756,640**	**438,090**

(b) Network firms of PwC Australia

(i) Audit and other assurance services

	2022 $	2021 $
Audit and review of financial statements	**13,565**	11,936
Total remuneration of network firms of PwC Australia	**13,565**	**11,936**

(c) Non-PwC audit firms

NEXTDC Limited did not engage with any other non-PwC audit firms.

	2022 $	2021 $
Total services provided by PwC	**770,205**	**450,026**

24 Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2022 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.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group 2022 %	2021 %	Principal activities
NEXTDC Holdings Trust No. 1	Australia	**100**	100	Property Holding Company
NEXTDC Holdings No. 1 Pty Ltd	Australia	**100**	100	Holding Company
NEXTDC Holdings Trust No. 3	Australia	**100**	100	Property Holding Company
NEXTDC Holdings No. 3 Pty Ltd	Australia	**100**	100	Holding Company
NEXTDC Ventures Pty Ltd	Australia	**100**	-	Holding Company
NEXTDC Ventures Holdings No. 1 Pty Ltd	Australia	**100**	-	Investment Holding Company

(b) Interests in associates and joint ventures

(i) Significant judgement: existence of significant influence

On 22 November 2022, NEXTDC Limited acquired a 19.99% interest in an ASX listed entity, Sovereign Cloud Holdings (ASX: SOV), via an upfront placement of $12.4 million. Following the placement, NEXTDC acquired a further $4.5 million in shares via a follow-on pro rata entitlement offer to maintain its 19.99% shareholding.Transaction costs of $1.1 million incurred as part of the acquisition have been capitalised against the investment.

Following acquisition, NEXTDC Limited was entitled to one seat on the board of Sovereign Cloud Holdings and now participates in all significant financial and operating decisions. As a result, the Group has determined that it has significant influence over this entity.

(ii) Summarised financial information for associates and joint ventures

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not NEXTDC Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

24 Interests in other entities (continued)

(b) Interests in associates and joint ventures (continued)

(ii) Summarised financial information for associates and joint ventures (continued)

	Sovereign Cloud Holdings	
Summarised balance sheet	**30 June 2022 $'000**	30 June 2021 $'000
Total current assets	**30,928**	-
Total non-current assets	**15,060**	-
Total current liabilities	**5,716**	-
Total non-current liabilities	**2,402**	-
Net assets	**37,870**	**-**
Reconciliation to carrying amounts:		
Net assets	**37,870**	-
Group's share in %	**19.99%**	-
Group's share in $	**7,570**	-
Goodwill	**745**	-
Carrying amount	**8,315**	-
Reconciliation of carrying value of investment		
Opening balance	**-**	-
Additions	**18,115**	-
Share of loss	**(1,879)**	-
Impairment charge (iii)	**(7,921)**	-
Carrying amount	**8,315**	-

	Sovereign Cloud Holdings	
Summarised statement of comprehensive income	**30 June 2022 $'000**	30 June 2021 $'000
Revenue	**4,242**	-
Profit/(loss) from continuing operations	**(15,522)**	**-**
Loss for the year	**(15,522)**	-
Total comprehensive income	**(15,522)**	**-**

24 Interests in other entities (continued)

(b) Interests in associates and joint ventures (continued)

(iii) Impairment

NEXTDC's 19.99% stake in Sovereign Cloud Holdings Limited (ASX: SOV) was tested for impairment at the reporting date. Whilst the strategic merit and underlying business case behind the Company's investment in SOV remains unchanged, an impairment indicator was identified due to SOV shares trading down in recent months, ending at $0.245 on 30 June 2022.

Given the difference between SOV's trading price and the carrying value of SOV shares in NEXTDC's accounts, the Company has determined an impairment charge of $7.9 million should be taken up for the year ended 30 June 2022.

25 Parent entity financial information

The individual financial statements for the parent entity, NEXTDC Limited, show the following aggregate amounts:

	30 June 2022 $'000	Restated# 30 June 2021 $'000
Total current assets	**522,960**	716,607
Non-current assets	**2,214,542**	1,629,343
TOTAL ASSETS	**2,737,502**	**2,345,950**
Total current liabilities	**104,248**	29,019
Non-current liabilities	**1,175,617**	903,393
TOTAL LIABILITIES	**1,279,865**	**932,412**
NET ASSETS	**1,457,637**	**1,413,538**
Shareholders' equity		
Contributed equity	**1,752,598**	1,759,777
Reserves	**33,805**	8,142
Retained earnings	**(328,766)**	(354,381)
TOTAL EQUITY	**1,457,637**	**1,413,538**
Profit/(loss) for the year after tax	**25,615**	(18,806)
Total comprehensive income/(loss) for the year	**25,615**	(18,806)

Comparative information has been restated to reflect the restatement of prior period depreciation as detailed in note 26(b).

(a) Reserves

Due to the requirements of accounting standards, the loan provided by NEXTDC Limited (parent entity) to NEXTDC Share Plan Pty Ltd requires the loan in respect of the loan funded share plan to be recorded as an issue of treasury shares and a corresponding debit to equity (treasury share reserve).

(b) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

As at 30 June 2022, NEXTDC Limited did not have any guarantees in relation to the debts of subsidiaries.

(c) Contingent liabilities of NEXTDC Limited (parent entity)

The parent entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

(d) Contractual commitments by NEXTDC for the acquisition of property, plant and equipment

Contractual commitments detailed in Note 15 relate to NEXTDC Limited as parent entity.

(e) Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Tax consolidation legislation

NEXTDC Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

25 Parent entity financial information (continued)

(e) Determining the parent entity financial information (continued)

(i) Tax consolidation legislation (continued)

The head entity, NEXTDC Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, NEXTDC Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate NEXTDC Limited for any current tax payable assumed and are compensated by NEXTDC Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to NEXTDC Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(ii) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries are accounted for at cost in the financial statements of NEXTDC Limited.

26 Summary of significant accounting policies

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

(a) Reporting Period and Comparative information

These financial statements cover the period 1 July 2021 to 30 June 2022. The comparative reporting period is 1 July 2020 to 30 June 2021.

(b) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. NEXTDC Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

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

The consolidated financial statements were authorised for issue by the Board of Directors on the date the Directors' Report is signed. The Directors have the power to amend and reissue the financial statements.

26 Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2021 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for derivatives measured at fair value.

(iv) New standards and interpretations not yet adopted

There are no standards that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(v) Restatement of prior year comparatives

Management has performed a detailed review of the timing of transfers of the Group's assets in the course of construction as part of the year end financial reporting process and has identified certain assets that were completed in the prior year and therefore should have been transferred to the appropriate property, plant and equipment asset class in the prior year. The impact is an understatement of depreciation expense of $3.0m and overstatement of property, plant and equipment $3.0m in the prior comparative period.

This matter has been corrected by restating each of the affected financial statement line items in the prior year comparatives as follows:

	30 June 2021 $'000	Increase/ (decrease) $'000	30 June 2021 (restated) $'000
Consolidated Statement of Comprehensive income (extract)			
Depreciation and amortisation expense	94,055	2,976	**97,031**
Profit/(loss) after income tax	(20,655)	(2,976)	**(23,631)**
Consolidated Balance Sheet (extract)			
Property, plant and equipment	1,883,978	(2,976)	**1,881,003**
Net assets	1,663,434	(2,976)	**1,660,458**
Accumulated losses	(104,036)	(2,976)	**(107,012)**
Total equity	**1,663,434**	**(2,976)**	**1,660,458**

There is no impact to the opening retained earnings as at 1 July 2020 as the error occurred in the 12 months to 30 June 2021.

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for basic and diluted earnings per share was a decrease of $0.66.

26 Summary of significant accounting policies (continued)

(c) Critical accounting estimates

Estimates and judgements 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 judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

(i) Deferred taxation

Deferred tax assets may be a combination of unused tax losses, offsets and timing differences based on management's foreseeable forecasts, to the extent that it is probable that taxable profit will be available against which the losses, offsets and timing differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group previously derecognised deferred tax assets in relation to carry-forward tax losses and temporary differences as it believed they no longer met the requirement to be recognised, stemming from the impact that the recent growth and expansion activity has had on taxable profits. Despite the derecognition, these carry-forward tax losses and offsets can be carried forward indefinitely and have no expiry date.

(ii) Income taxes

The Group is subject to income taxes in Australia. Judgement 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.

(iii) Leases

The Group is required to determine the measurement of lease liabilities based on the present value of remaining lease payments, discounted using the Group's incremental borrowing rate at commencement date. Judgement is required in determining an appropriate incremental borrowing rate, and the Group has determined the rate based on the effective interest rate of its most recent borrowings, adjusted to the specific term of each lease. In determining the lease term, management considered all relevant facts and circumstances that create an economic incentive to either exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if it is reasonably certain to be extended. The assessment is reviewed if a significant event or significant change in circumstances occurs which affects this assessment, and that is within the control of the lessee.

(iv) Revenue from contracts with customers

Key judgements in the recognition of revenue from contracts with customers include the identification of performance obligations within the contracts, allocation of the transaction price within the contract to the identified performance obligations, treatment of the upfront project fees and treatment of any variable consideration subsequent to initial commencement. Refer to Note 3 for further details.

(v) Impairment

Assessment of indicators of impairment and the determination of CGUs for impairment purposes require significant management judgment. Indicators of impairment may include changes in the Group's operating and economic assumptions or possible impacts from emerging risks such as climate change and the transition to a low carbon economy. Considering the location and nature of our assets as well as our continued focus on operational resilience and business continuity programs, at this stage, we do not consider the potential impacts of climate change and the transition to a low carbon economy to be an impairment indicator.

26 Summary of significant accounting policies (continued)

(d) Employee Share Trust

The Group has formed two entities to administer the Group's employee share schemes. The trusts are consolidated, as the substance of the relationships are that the trusts are controlled by the Group. Shares held by NEXTDC Share Plan Pty Ltd and NEXTDC Employee Share Plan Trust are disclosed as treasury shares and deducted from contributed equity.

(e) Share-based payments reserve

The share-based payments reserve is used to recognise:

- the grant date fair value of long-term incentives issued to participants
- the grant date fair value of shares issued to participants
- the issue of shares held by NEXTDC Share Plan Pty Ltd and NEXTDC Employee Share Plan Trust

(f) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group’s functional currency.

(g) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Consideration has been given to the potential financial impacts of climate change related risks on the carrying value of the Group's assets through a qualitative review of the Group's climate change risks and mitigating actions. This review did not identify any material financial reporting impacts.

(h) Cash and cash equivalents

For the purpose of presentation in the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and term deposits 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.

(i) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

26 Summary of significant accounting policies (continued)

(i) Investments and other financial assets (continued)

(i) Classification (continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) 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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the year in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

26 Summary of significant accounting policies (continued)

(i) Investments and other financial assets (continued)

(iii) Impairment

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 13(c) for further details.

(j) Derivatives and hedging activities

(i) Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Group designates derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probably forecast transactions (cash flow hedge). At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

The Group designates interest rate swaps as cash flow hedges of highly probable forecast interest. The interest rate swaps have floor options embedded within; in this case the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss.

If the hedged item is time period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

(ii) Fair Value measurement

The fair value of the interest rate swaps which the group has entered into are not traded in an active market (for example, over-the-counter derivatives), and are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. Given all significant inputs required to fair value these interest rate swaps are observable, the instrument is classified as level 2.

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26 Summary of significant accounting policies (continued)

(k) Provisions

Provisions for asset replacement and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(l) Employee benefits

(i) Short-term Obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of each reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in payables.

(ii) Other long-term employee benefit Obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based Payments

Share-based compensation benefits are provided to participants via the Long Term Incentive Plan.

The fair value of performance rights is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in the assumptions. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Consolidated Statement of Comprehensive Income, with a corresponding adjustment to equity.

(iv) Retirement benefit Obligations

Except for the statutory superannuation guarantee charge, the Group does not have any other retirement benefit obligations.

26 Summary of significant accounting policies (continued)

(m) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(n) 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 Consolidated 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.

(o) Parent entity financial information

The financial information for the parent entity, NEXTDC Limited, disclosed in note 25 has been prepared on the same basis as the consolidated financial statements.

(p) Assets in the course of construction

Assets in the course of construction are shown at historical cost. Historical cost includes directly attributable expenditure on data centre facilities which at reporting date, has not yet been finalised and/or ready for use. Assets in the course of construction are not depreciated.

Assets in the course of construction are transferred to property, plant and equipment upon successful testing and commissioning.

(q) Revenue received in advance

Revenue received in advance primarily relates to the advance consideration received from customers in relation to project fees and service credits, for which revenue is recognised over time. Refer to Note 3 (b) for details in relation to the revenue recognition policy for project fees and service credits.

DIRECTORS' DECLARATION

30 JUNE 2022

In the Directors' opinion:

(a) the financial statements and notes set out on pages 56 to 111 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and

Note 26 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Craig Scroggie
Managing Director and Chief Executive Officer

29 August 2022

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report

To the members of NEXTDC Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of NEXTDC Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2022
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial report, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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INDEPENDENT AUDITOR'S REPORT CONTINUED

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	Audit scope	Key audit matters
• For the purpose of our audit we used overall Group materiality of $4 million, which represents approximately 2.5% of the Group's Earnings Before Interest, Tax, Depreciation and Amortisation, after adjusting for an impairment charge on the investment in associates (adjusted EBITDA). • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose adjusted EBITDA because it is a benchmark against which the performance of the Group is commonly measured. • We utilised a 2.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • NEXTDC has data centres operating in capital cities across Australia.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Data Centre Services Revenue Recognition – Property, Plant and Equipment additions – Borrowings - Refinancing • These are further described in the *Key audit matters* section of our report.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter

Data Centre Services Revenue Recognition
Refer to note 3 - Revenue and other income $291m
 	
The Group applies AASB 15 Revenue from Contracts with Customers to account for the services it provides to its customers. Accounting for revenue recognition was a key audit matter due to the:
• significance of revenue to understanding the financial results for users of the financial report;
• complexity involved in applying the requirements of AASB 15 given the number of revenue streams and contracts with customers with bespoke terms and conditions, including in relation to recurring service fees, upfront project fees and service credits;
• judgements required by the Group in applying the requirements of AASB 15, such as:
  ○ identifying the performance obligations under its contracts with customers; and
  ○ determining the transaction price, considering the terms in the contracts relating to recurring service fees, upfront project fees, and service credits;
  ○ the method of allocating the transaction price in the contract to the performance obligations.
	We performed the following procedures, amongst others:
	• Assessed whether the Group's accounting policies were in accordance with the requirements of AASB 15 Revenue from Contracts with Customers;
	• Evaluated the judgements made by the Group in applying the accounting policy by obtaining an understanding of the revenue streams and considering the terms and conditions of a sample of contracts;
	• For a sample of contracts for each revenue stream tested, we:
	  ○ developed an understanding of the key terms of the arrangement including parties, term dates, performance obligations, fees and payment terms;
	  ○ considered the Group's identification of performance obligations and allocation of the transaction prices to the performance obligations;
	  ○ recalculated the amount of revenue which the Group has recognised, taking into account the terms of the contracts for recurring service fees, upfront project fees, and service credits.
	• Evaluated the adequacy of the disclosures made in Note 3 in light of the requirements of Australian Accounting Standards.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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Key audit matter	How our audit addressed the key audit matter
Property, Plant and Equipment additions *Refer to note 8 - Property, Plant and Equipment* *$587.5m* NEXTDC has continued to invest in new data centres during the period, and to expand its existing data centre infrastructure. These growth projects require significant capital outlay which results in the capitalisation of external and internal costs into Property, Plant and Equipment. During the current year, $587.5m has been capitalised as additions to Property, Plant and Equipment. Costs should be capitalised in line with Australian Accounting Standards which outline the criteria required to be met for costs to be capitalised. This was a key audit matter because of the: • significance of the additions balance to the Consolidated Balance Sheet; • potential significance of the additions balance to the Consolidated Statement of Comprehensive Income should the costs not meet the criteria required for capitalisation; and • judgement involved in assessing whether internal costs meet the criteria for capitalisation by reference to the appropriate accounting requirements.	Our audit approach included testing individually large value additions, while the residual balance of additions were tested on a sample basis. We performed the following procedures, amongst others: • developed an understanding of and evaluated the Group's cost capitalisation policy; • assessed the processes implemented by the Group for the measurement of capitalised costs; • sample tested capitalised costs to related documentation, including assessing whether they meet the criteria for capitalisation with reference to Australian Accounting Standards; • assessed the capitalisation of internal costs, in particular salaries and wages; and • for a sample of assets, assessed the timing and method of transfers from assets in the course of construction to the appropriate property, plant and equipment asset class, and recalculated the amount of depreciation that the Group had recognised.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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Key audit matter	How our audit addressed the key audit matter
Borrowings - Refinancing *Refer to note 4(a) Finance costs - $49.3m and note 14 Borrowings - $1,059m* During the current year, NEXTDC completed the refinancing of its existing $1.85 billion Senior Debt Facilities to a new aggregate limit of $2.5 billion, together with changes to the syndicate, pricing and extended tenors. The Group has incurred transaction costs of $12.3m in setting up the new Senior Debt Facilities. The Group also entered into new interest rate swaps for its new Senior Debt Facilities to hedge the risk of fluctuations in interest rates This was a key audit matter because of the: • Significance of the Senior Debt Facilities to the Consolidated Balance Sheet; • Significance of the modification gain and costs of extinguishment to the Consolidated Statement of Comprehensive Income • Judgement involved in assessing whether the transaction costs incurred for the new Senior Debt Facilities meet the criteria for capitalisation by reference to the appropriate accounting requirements; and • Judgement involved in assessing the timing of the amortisation of capitalised transaction costs as part of the effective interest rate calculation.	We performed the following procedures, amongst others: • Assessed whether the Group's accounting policies were in accordance with the requirements of AASB 9; • Examined the new Senior Debt Facilities agreement to obtain an understanding of the key terms of the agreement; • Evaluated the Group's assessment of the accounting for the refinancing of the various facilities within the existing Senior Debt Facilities to determine if it constitutes a modification or an extinguishment; • Assessed the appropriateness of the modification gain recognised relating to the existing Senior Debt Facilities that have been modified; • Assessed the appropriateness of the write-off of the capitalised transaction costs of the existing Senior Debt Facilities that have been extinguished; • Sample tested capitalised costs to related documentation, including assessing whether they meet the criteria for capitalisation with reference to Australian Accounting Standards; • Evaluated the judgements made by the Group in determining the timing of the amortisation of the capitalised transaction costs for each facility as part of the effective interest rate calculation; • Together with PwC valuation experts, assessed the valuation of the interest rate swaps; and • Evaluated the disclosures made in Note 14 of the financial report, in light of the requirements of Australian Accounting Standards.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 33 to 51 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of NEXTDC Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan
Partner

Brisbane
29 August 2022

SHAREHOLDER INFORMATION

30 JUNE 2022

The following shareholder information was applicable as at 12 August 2022.

Distribution of equity securities

Holding	Number of investors	Number of securities
100,001 and over	69	357,879,796
10,001 - 100,000	1,838	38,293,369
5,001 - 10,000	2,884	20,886,306
1,001 - 5,000	12,982	31,460,985
1 - 1000	21,362	8,133,987
Total	**39,135**	**456,654,443**
Unmarketable parcels	1,265	32,799

Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Number held	Percentage of issued shares
1. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	133,547,659	29.24
2. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	91,324,276	20.00
3. CITICORP NOMINEES PTY LIMITED	42,799,011	9.37
4. BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	24,897,273	5.45
5. NATIONAL NOMINEES LIMITED	15,117,298	3.31
6. BNP PARIBAS NOMS PTY LTD <DRP>	8,123,308	1.78
7. AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	6,100,000	1.34
8. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	5,311,979	1.16
9. BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	2,621,990	0.57
10. NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	2,183,521	0.48
11. PACIFIC CUSTODIANS PTY LIMITED NXT EMP SHARE PLAN TST	1,958,025	0.43
12. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,856,310	0.41
13. MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,833,272	0.40
14. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,480,868	0.32
15. WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	1,382,100	0.30
16. BNP PARIBAS NOMS(NZ) LTD <DRP>	1,372,801	0.30
17. BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	1,215,674	0.27
18. BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	844,417	0.18
19. SUAVE INVESTMENTS PTY LTD	756,844	0.17
20. MUTUAL TRUST PTY LTD	756,600	0.17
	345,483,226	**75.65**

SHAREHOLDER INFORMATION CONTINUED
30 JUNE 2022

Unquoted equity securities	Number on issue	Number of holders
Performance rights - issued in FY20	754,809	24
Performance rights - issued in FY21	402,348	25
Performance rights - issued in FY22	501,888	38
Deferred share rights - issued in FY22	45,137	3

Substantial holders

Substantial holders in the Company based on ASX lodgements up until 12 August 2022 are set out below:

Substantial holders	Number held	Percentage of issued shares
BlackRock Group	33,278,198	7.29%
UniSuper Limited	23,527,805	5.15%
State Street Corporation	23,272,630	5.10%

Voting rights

The voting rights attaching to each class of equity securities are set out below:

(i) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(ii) Performance rights and deferred share rights

No voting rights.

CORPORATE DIRECTORY

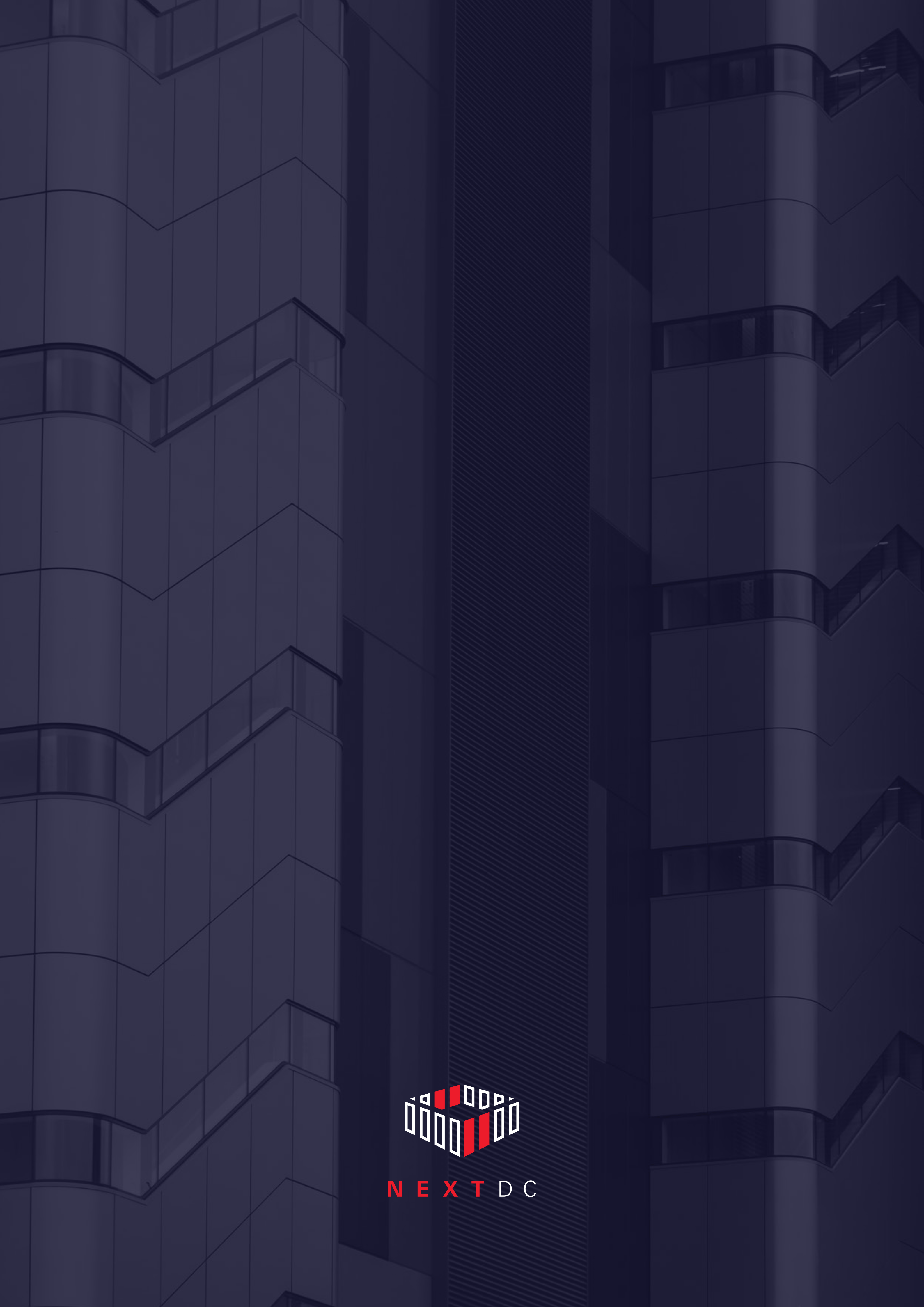
30 JUNE 2022

Directors	Douglas Flynn *Chairman* Craig Scroggie *Chief Executive Officer* Stuart Davis *Non-Executive Director* Dr Gregory J Clark AC *Non-Executive Director* Stephen Smith *Non-Executive Director* Jennifer Lambert *Non-Executive Director* Dr Eileen Doyle *Non-Executive Director*
Company secretary	Michael Helmer
Registered office	20 Wharf St Brisbane Qld 4000 Tel: +61 7 3177 4777
Website address	www.nextdc.com
Auditor	PricewaterhouseCoopers 480 Queen Street Brisbane Qld 4000 +61 7 3257 5000
Solicitors	Clayton Utz Level 28, Riparian Plaza 71 Eagle Street Brisbane Qld 4000 Herbert Smith Freehills ANZ Tower 161 Castlereagh Street Sydney NSW 2000
Share register	Link Market Services Level 21,10 Eagle Street Brisbane Qld 4000 Tel: 1300 554 474 (in Australia) Tel: +61 (2) 8280 7111 (overseas)
Stock exchange listing	NEXTDC Limited shares are listed on the Australian Securities Exchange (ASX) under ticker code NXT.

1 July 2021 to 30 June 2022
NEXTDC Limited
ABN 35 143 582 521

For any queries about NEXTDC's Annual Report, please use the following link to contact us.

www.nextdc.com/contact


NEXTDC