Results for announcement to the market

For the year ended 30 June 2014
(Previous corresponding period: to 30 June 2013)

SUMMARY OF FINANCIAL INFORMATION

	Note	2014 $'000	2013 $'000	Change $'000	Change %
Revenue from ordinary activities	1	48,295	36,179	12,116	33.5%
Loss from ordinary activities after income tax for the period attributable to members		(22,906)	(2,220)	(20,686)	nmf[1]
Loss after income tax attributable to members		(22,906)	(2,220)	(20,686)	nmf[1]

EXPLANATION OF LOSS FROM ORDINARY ACTIVITIES AFTER TAX

Note 1 The following information has been provided in order to understand the Group's revenue from ordinary activities.

	2014 $'000	2013 $'000
Data centre services revenue	30,360	9,000
Data centre development revenue	15,470	24,358
Other revenue	2,465	2,821
Total revenue from ordinary activities	**48,295**	**36,179**

The Group's core operating activity is the development of data centre facilities and the provision of data centre services. In the year to 30 June 2014, the Group grew data centre services revenue from its existing facilities and new facilities opened during the year. Development revenue was earned from the completion of the P1 Perth data centre base building during the financial year. In future, where NEXTDC develops further data centres and offers them to Asia Pacific Data Centre Group ("APDC") or other parties, further development revenue may be derived.

Dividends

No dividend has been proposed or declared in respect of the year ended 30 June 2014.

NTA Backing

	2014	2013
Net tangible asset backing per ordinary share	$1.13	$1.09

The number of NEXTDC shares on issue at 30 June 2014 was 196,831,230 (2013: 177,250,460).

Refer to the attached audited Financial Report for additional disclosures.

[1] nmf – Change in percentage is not meaningful

NEXTDC

FY14

ANNUAL REPORT

1 JULY 2013 TO 30 JUNE 2014

NEXTDC Limited ABN 35 143 582 521

FY14

1 JULY 2013 TO 30 JUNE 2014

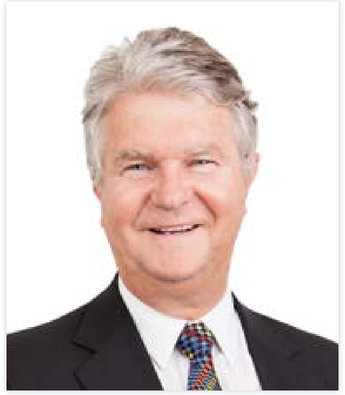
NEXTDC Limited ABN 35 143 582 521

NEXTDC

Annual Report

FOR THE YEAR 1 JULY 2013 TO 30 JUNE 2014

FY14



Letter from the Chairman

Douglas Flynn, Chairman

Operational performance and cost management are a key focus to ensure the Company is strongly positioned for growth and to deliver the financial performance and shareholder value that investors require.

On behalf of the Board of Directors and NEXTDC Limited, it is my pleasure to present NEXTDC Limited's fourth Annual Report.

The past financial year has been transformational with NEXTDC experiencing significant growth across all financial and operating performance metrics. The Company achieved growth in number of customers, installed capacity, contracted customer utilisation and contracted recurring revenue, revenue pipeline as well as revenue received from data centre services.

In cementing NEXTDC's position as Australia's leading Data-Centre-as-a-Service (DCaaS) provider, we saw the completion of the S1 Sydney and P1 Perth data centres during the year, fulfilling the Company's vision for an initial network of five operating data centres situated across Australia. From February 2014, NEXTDC began booking revenue from each of its facilities. Delivering a network of world-class data centres is complex and capital-intensive, and to be able to achieve that outcome in a relatively short timeframe is a testament to the drive and focus of the entire NEXTDC team.

As Australia's only truly independent data centre provider with a strategic footprint in all major growth markets, NEXTDC offers its customers the ability to interact and connect with new communities within the Company's growing ecosystem of carriers, internet service providers (ISPs) and other relevant service providers. Through a single provider with the flexibility and scalability of NEXTDC's data centres, our customers provide a myriad of transformative applications to help businesses take advantage of the cloud computing revolution.

During the year we signed a number of significant customer contracts, including well-known national and international enterprises such as Amcom, Telstra, NEC and Tata Communications. Colocation and managed hosting services in Australia are expected to grow strongly over the next few years driven by the adoption of cloud computing and NEXTDC is very well placed to capitalise on this growth.

The completion of our capital recycling program with the Asia Pacific Data Centre Group raised approximately $140 million across the 2013 and 2014 financial years. The investor response to NEXTDC's five-year senior unsecured notes offering in June 2014, which raised $60 million of debt funding, further demonstrated market confidence in the Company's growth strategy. This notes offering provides NEXTDC with improved funding flexibility to support the ongoing growth demands of the business.

In July 2014, NEXTDC was admitted to the Australian Government Data Centre Facilities Supplies Panel, an achievement that enables the Company to contract with Federal Government departments and agencies and provide Government with a new level of scalability and flexibility in data centre services nationally.

Innovation is the key foundation of our growing business. It is how we have developed our position and reputation in the market, and are increasingly differentiating ourselves from our competitors. One example of this is our ONEDC® solution developed by our internal technical team as an open, vendor independent, holistic on premise software appliance combined with a web based Software-as-a-Service (SaaS) platform for customers to efficiently manage their data centre IT infrastructure anywhere in the world. Our engineering team continues to drive innovation in data centre design and power and cooling efficiency such as the integration of M1 Melbourne's solar array.

There were a number of board changes throughout the year, with Stuart Davis and myself joining in September 2013 as independent non-executive directors, and Dr Gregory Clark joining as an additional independent non-executive director in April 2014.

Dr Clark is a world-renowned technologist, businessman and scientist with extensive governance, corporate and commercial expertise globally. His previous board experience includes nine years on the Board of ANZ Banking Group where he chaired the Board Technology Committee and was a member of the Risk and Human Resources Committees. He has been appointed to chair NEXTDC's Remuneration and Nomination Committee.

I was honoured to take over as Chairman of the Board from Mr Ted Pretty in April 2014. Ted has remained on the Board as a Non-executive Director and I'd like to take this opportunity to thank him for guiding the Company during what was a key period of change. Ted continues to make an important contribution to the NEXTDC board given his extensive experience and depth of understanding of the Australian IT&T and investment banking sectors.

As part of this Board evolution, Mr Roger Clarke and Mr Gregory Baynton retired as non-executive directors in April 2014. Both were directors of the Company from its listing in December 2010, and on behalf of the Board I wish to thank Roger and Greg for their commitment and tireless efforts during their tenure.

In October 2013, the Company's founder and initial CEO, Mr Bevan Slattery retired from the Board. On behalf of the Board I acknowledge Bevan's strategic vision in revolutionising data centre services in Australia, and his leadership within the nation's ICT industry. Bevan created a culture of innovation, hard work and entrepreneurial spirit which continues within NEXTDC. We thank him for his significant contribution in establishing the platform that has allowed the Company to remain at the forefront of industry innovation. We wish all our previous Directors well in their future endeavours.

The Company received its first strike against the 2013 Remuneration Report with shareholders expressing concerns about NEXTDC's corporate governance and remuneration structures. Significant efforts have been made to engage with stakeholders and consult experts prior to implementing revised policies and remuneration structures that the Board believes better meet stakeholder requirements. For example, the Board has significantly enhanced disclosure in the 2014 Remuneration Report in response to the feedback received. I encourage you to read the report, included in the enclosed Directors Report from page 24.

We believe the Company's new Board has the strength, independence and breadth of experience required to build long term shareholder value. Your Directors and management team look forward to a period of stability as NEXTDC progresses from a developing start-up company to a more mature and profitable company.

While many key strategic objectives have been met during the 2014 year, we are cognisant of the importance of creating value for our shareholders and continue to adopt a disciplined approach to capital allocation. Operational performance and cost management are a key focus to ensure the Company is strongly positioned for growth and to deliver the financial performance and shareholder value that investors require.

I take this opportunity to acknowledge the hard work and dedication of our staff and management team lead by our energetic CEO, Craig Scroggie. Over the past year their dedication, commitment and focus has been instrumental in helping the Company achieve a strong financial position and develop a high quality range of products a that further strengthen our unique business model.

Lastly, I would like to thank you, our shareholders for your continued support and invite you to attend our upcoming Annual General Meeting.

Douglas Flynn
Chairman

Letter from the CEO

Craig Scroggie, CEO

> Our innovation differentiates our offering in the market, attracts customers and further enhances NEXTDC's position as the leading national provider of carrier and vendor-neutral data centre services in Australia.

The 2014 financial year was a pivotal year in NEXTDC's short history, with the Company achieving significant growth across all key operational and financial metrics and moving closer to generating positive cash flows.

As a critical infrastructure provider, NEXTDC hosts a number of the leading international and domestic public and private cloud providers whose innovation, scale and increasingly low-cost services are driving rapid cloud adoption. NEXTDC is at the heart of the digital economy and well positioned to take advantage of the fast growth in data centre colocation powered by the move of enterprise and governments to colocation and the adoption of cloud and mobile computing technologies.

With the completion of S1 Sydney and P1 Perth in 2014, M1 Melbourne and C1 Canberra in 2013, and B1 Brisbane in 2012, NEXTDC has delivered a world-class portfolio of market-leading carrier and vendor-neutral data centres in all key capital cities. The Company now transitions into its operational phase that will help achieve its vision of becoming the most recognised, connected and trusted data centre brand in the Asia-Pacific region.

FY14 data centre services revenue across all five operating facilities was up 237% to $30.4 million. FY15 will see all facilities contribute revenue for the full financial year, which will help generate significant revenue growth. Importantly, revenue is underpinned by global and domestic customers and service provider partners of the highest calibre that are forming long term relationships with NEXTDC.

During FY14, the Company raised over $160 million from diversified funding sources including equity holders, bond holders, base building development fees and proceeds from the sale of the Company's holding in APDC. At 30 June 2014, the Company had over $70 million in cash and term deposits with access to a further $20 million from a senior debt facility provided by NAB. NEXTDC's strong capital and financial position ensures the Company has the flexibility to fund further expansion as its customer base grows.

With all facilities now operational and generating revenue for the coming full year, we are confident that the Company will generate positive operating cash flows in FY15. Achieving positive cash flows will be a key milestone in NEXTDC's short history and will provide further funding flexibility to underpin future growth.

While the Company manages its cost base carefully, it will continue to invest in sales to maximise contracted utilisation at an appropriate price per megawatt (MW), which maximises return on capital invested. The Company will also continue to invest in the development of innovative and market-leading solutions. Our innovation differentiates our offering in the market, attracts customers and further enhances NEXTDC's position as the leading national provider of carrier and vendor-neutral data centre services in Australia.

In FY15, our innovation will see the introduction of the Company's new subscription-based ONEDC® Software-as-a-Service Data Centre Infrastructure Management (DCIM) platform for Data Centre Intelligence; a new virtual interconnection platform; FastStart online colocation ordering; and half and quarter-rack products, which together are ideal for SMEs or businesses trialling the benefits of colocation and considering the move to public or private cloud computing solutions colocated with their own infrastructure.

NEXTDC's sales model focuses on partnering with the key organisations that drive the growth of digital connectedness and public and private cloud computing. The Company's strategy of partnering increases the breadth and depth of NEXTDC's selling capacity and market reach into the enterprise customer base without adding to operating costs. It also drives unique value to our customers through a diverse ecosystem of service providers that makes NEXTDC a marketplace for the digital economy. Over FY14, NEXTDC added more than 172 unique customers to bring us to more than 300 unique customers across our national network of world-class facilities.

Sustainability is not just a buzz word inside NEXTDC. We were recently recognised by the City of Melbourne for our leadership in renewable energy production from the fully operational rooftop M1 solar array. We are empowering our customers by delivering game-changing, real-time analytical information on their energy usage from our DCIM platform. The team at NEXTDC is proud to have participated in the development of a world first at measuring the energy efficiency of the IT equipment and infrastructure services within our data centres through our commitment to the NABERS Energy for data centre rating tools. The commitment to these sustainability initiatives is good for the environment and generates real savings in terms of operational costs. I encourage you to read the following report, which addresses our strategic approach to sustainability, environmental and social issues.

The quality of NEXTDC's offering was recognised in July 2014 with NEXTDC being admitted to the Commonwealth Government Data Centre Facilities Supplies Panel. This admission enables NEXTDC to contract with Federal Government departments and agencies for data centre services at all of the Company's facilities around the country.

Security and business operational standards are an essential part of our commitment to excellence, quality and reflect our premier service offering and our status as a trusted supplier. NEXTDC has successfully achieved internationally recognised certifications that demonstrate the reliability and trustworthiness of the Company's operations. By June 2014, S1 and P1 data centres were UTI Tier III-certified for both design and construction (two of only nine in Australia) and M1 was certified for design (one of only twelve including S1 and P1). All five data centres and Brisbane head office achieved ISO 9001:2008 Quality Management System certification for secured data centre infrastructure and services. In July 2014, NEXTDC achieved ISO 27001:2005 Information Security Management System certification for the operations and maintenance of S1 and M1 data centres, supported by Brisbane head office, a remarkable achievement for such a young organisation.

NEXTDC has come a long way in a short space of time. This would not have been possible without our people and we recognise our NEXTHEROES and staff as valued contributors. We look forward to continuing NEXTDC's employee engagement, development and recognition initiatives. We also value and prioritise employee health and safety in our workplace, and have a pleasingly low injury rate, which remains a focus.

The Company has a highly motivated and energetic executive team supported by an experienced independent Board. Funding flexibility is in place to support ongoing growth, and industry fundamentals are supported by strong global trends in the digital economy and industry tailwinds like cloud and mobile computing. All of these factors provide the Company with confidence in its ability to deliver strong growth over FY15 and beyond.

Thank you for your ongoing support and I look forward to meeting with those of you who are able to attend our upcoming AGM.

Craig Scroggie
CEO

S1 Sydney
Tier III certified for design & construction.
ISO 9001 Certified
ISO 27001 Certified

About NEXTDC

Value proposition, business strategy, environment and social reporting

NEXTDC Value Proposition and Business Strategy

ASX300-listed NEXTDC Limited designs, builds and currently operates data centres in Australia. The unique features of NEXTDC's Data-Centre-as-a-Service model offers a number of value propositions to our customers and partners. As Australia's only truly independent data centre provider with a national network, NEXTDC does not compete with telcos and IT/cloud providers, which gives customers access to an ecosystem of carriers and service providers. NEXTDC has data centres in five capital cities – Brisbane, Sydney, Canberra, Melbourne and Perth.

The ecosystem of established carriers and service providers in NEXTDC data centres offer NEXTDC customers an established community of prospective clients and business partners. As the window into our ecosystem, Cloud Centre is revolutionising the way our customers do business by helping them extend their reach, strengthen business connections and realise the benefits of a modern marketplace.

We help address the fast growth in cloud computing by partnering with providers of cloud computing solutions that need data centre infrastructure to support their offering. Cloud computing is internet based computing where shared resources, software, storage and information are provided through the internet rather than residing on a local server or personal computer.

Our Vision

Our Vision is to become the most recognised, connected and trusted data centre brand in Asia Pacific. Our Mission is to redefine the next generation of Data-Centre-as-a-Service through technological innovations and access to the most highly connected, diverse networks of service providers in Asia Pacific.

NEXTDC's national, neutral network housing IT infrastructure of approximately 140 carriers and service providers also acts as a marketplace for the digital economy allowing our customers and partners to provide nationwide coverage and world-class quality through a single provider. Our focus includes offering services to the providers of performance-sensitive applications and cloud platforms.

The features of NEXTDC's business include:

National footprint:
Our portfolio of data centres are centrally located in Brisbane, Sydney, Canberra, Melbourne and Perth, each with access to significant power, telecommunications and public infrastructure, providing support for multi-location customer deployments and interconnection nationally.

Carrier and IT service provider neutrality:
By not providing telecommunications or IT services, NEXTDC does not compete with its customers; and by being neutral, NEXTDC has a diversified pool of telecommunications and IT or cloud service providers at its data centres that customers can choose from.

Ecosystem connections:
100% carrier and vendor neutrality gives our customers the freedom to connect to their choice of carriers and service providers – connecting IT service providers (sellers) with enterprise and government (buyers).

High quality facilities:
Our world-class data centre environments offer high density power and cooling capability designed to meet increasing customer requirements. Our utilisation of energy efficient design has created low power use effectiveness ratings (PUEs) that can have a positive material financial implication, especially if the customer is switching from an in-house or legacy data centre.

Uptime Institute [1] certification:
M1 Melbourne is one of just 12 data centres in Australia with the Uptime Institute's Tier III Certification of Design Documents; S1 Sydney and P1 Perth are two of only nine data centres in Australia that are also Tier III-certified for the Constructed Facility. This is a critical consideration for enterprises when they are choosing a third-party provider given that a prolonged network outage can be catastrophic.

Data Centre Intelligence:
Our data centre management tool ONEDC® provides a single web-based portal for our customers to manage their data centre services nationally. First released in July 2012, NEXTDC's evolving ONEDC® management portal will soon be delivered as a full-featured open source SaaS platform, enabling customers and service providers to establish DCIM telemetry, networks and asset management monitoring for consolidated management of all data centre assets, wherever they are deployed.

Simplicity:
One national contract, SLA and pricing allows our customers to easily grow and manage their service nationwide.

1. Uptime Institute: The Uptime Institute is an unbiased, third-party data centre research, education, and consulting organisation focused on improving data centre performance and efficiency through collaboration and innovation. The Uptime Institute serves all shareholders of the data centre industry, including enterprise and third-party operation, manufacturers, providers, and engineers. (Extract from www.uptimeinstitute.com)

Our fundamental support for the cloud

The data centre is at the heart of cloud computing – the internet, private networks and cloud computing rely on it for storage and connectivity – so the movement towards cloud computing does not diminish but enhances the strategic value of large scale, high power, high specification, co-location facilities such as NEXTDC's.

NEXTDC hosts some of the biggest public and private cloud providers in the world, as well as large multi-national companies some of which remain anonymous for security purposes, whose large scale and increasingly low cost services are all driving increased cloud adoption.

The cloud providers we work with offer the full selection of public, private and hybrid cloud solutions housed in our national data centre network and delivered though our ecosystem. These providers and the growth of cloud is what drives our business growth. They are not our competitors, they are our customers and strategic partners, and their continued success is an important part of our strategy to be the home of cloud computing.

NEXTDC is where the cloud lives™

Product Offering

NEXTDC's Data-Centre-as-a-Service (DCaaS) model for outsourcing data centre infrastructure and services offers its customers a range of colocation services from whitespace to standard racks and blocks, supported with access to our diverse ecosystem and on-demand reporting and remote control via the ONEDC® management portal.

Add-on services include:

- NXTech Smart Hands on-the-ground technical assistance;
- NXTdesk high-availability office space for private suites, customisable hot-desking or temporary office space;
- NXTvend vending machines for spare parts; and
- Interconnection, one-to-one secure connectivity for customers to connect to carriers and service providers.

NEXTDC cross connect services provide a cable connection to link customers' equipment to each other within the data centre, facilitating business within the ecosystem of carriers and services providers, and enabling flexibility and cost savings with a choice of multiple service providers.

Our position in the marketplace

Our vision is to become the most recognised, connected and trusted data centre brand in Asia Pacific.

What we are	What we are not
Completely carrier and vendor neutral	Managed computing service provider
Australia's largest independent nationwide data centre network	The owner of data centre property assets
Customer focused, channel led with a single MSA	A telecommunications (telco) operator
Industry leader for Data-Centre-as-a-Service	A hardware or software equipment provider
Energy-efficient next generation data centre facilities	A cloud service provider
Superior physical security for mission critical infrastructure	A system integrator
UTI Tier III certified; ISO 9001:2008 and 27001:2005 certified	

Our Customers

NEXTDC is home to some of the largest global cloud computing providers, domestic enterprises and government departments and agencies. Our target market customers include a wide range of industries including IT, digital content, telecommunications, retail, gaming, ecommerce, professional services, mining and finance. Customers typically sign a single national Master Services Agreement with standard service level agreements. Under the agreements, data centre services are typically provided for an initial period of between 3 and 5 years and in some circumstances up to 10 years.

NEXTDC has a good balance between large domestic channel partners, which are more focussed on enterprise and government customers, and small to mid-sized channel partners which are more focussed on the SME market.

Businesses offering cloud computing services form the backbone of our customer base, providing a network of remote servers accessed through the internet and housed in NEXTDC data centres, to store, manage, and process data, rather than on the end-user's local server or a personal computer.

NEXTDC facility certifications

M1 Melbourne

- UTI Tier III certified for DESIGN
- ISO 9001 certified
- ISO 27001 certified

S1 Sydney

- UTI Tier III certification of Constructed Facility & Design Documents
- ISO 9001:2008 Quality Management System certification
- ISO 27001:2005 Information Security Management System certification

P1 Perth

- UTI Tier III certified for DESIGN
- UTI Tier III certified for CONSTRUCTION
- ISO 9001 certified

B1 Brisbane

- ISO 9001 certified

C1 Canberra

- ISO 9001 certified

Systems, certifications and awards

ISO 9001:2008
Quality Management System certification

NEXTDC's Brisbane head office and B1, C1, M1, P1 and S1 data centres have achieved ISO9001:2008 certification for the design, development and provision of secured data centre infrastructure and associated services.

ISO 27001:2005
Information Security Management System (ISMS) certification

NEXTDC has achieved ISO 27001:2005 Information Security Management System certification for the operations and maintenance of the S1 Sydney and M1 Melbourne data centres, supported by the Brisbane head office.

NABERS
National Australian Built Environment Rating System

Consistent support and preparation of the National Australian Built Environment Rating System (NABERS) Energy for data centres rating tools. Expected NABERS assessment on M1 in 2014 (results available in 2015), followed by S1 and P1.

Uptime Institute
Tier III certification

S1 Tier III certification for design and construction – September 2013
M1 Tier III certification for design – October 2013
P1 Tier III certification for design and construction – February 2014

ARN
ICT Industry Awards, 2013

Winner: Sustainability
Winner: Service Provider of the Year

Lord Mayor's Business Awards

Winner: Australia TradeCoast Award for Business Growth, 2012
Winner: National Australia Bank Award For New Investment, 2011

iAwards
QLD iAwards, 2014

State Merit Award for ONEDC – Tools category

WAiTTA
Awards, 2014

State Merit Award for P1 – Industrial category

Go-to-Market Strategy

NEXTDC's multi-dimensional channel sales model focuses on partnering with providers of infrastructure, platform and packaged services (channel partners). Channel partners use NEXTDC racks to house their own servers, from which they sell their managed services. This model allows NEXTDC to work with channel partners to either sell data centre capacity to them, with them or through them to end user customers. The benefit of this strategy is an increase in NEXTDC's breadth and depth of selling capacity without necessarily adding to its operating cost base, meaning revenue growth, even for retail solutions, can be achieved without a significant increase in sales and marketing headcount.

Partner support

To support our partners, NEXTDC has enhanced its world-class colocation product with a comprehensive suite of purpose-built business tools and resources, designed to nurture and accelerate our partners' success in selling cloud and colocation solutions.

Partnering with NEXTDC helps our partner community achieve shared business goals by allowing them to create their own unique profile for other customers to view and connect with them directly and to benefit from an Opportunity Registration program that rewards channel sales staff for upselling NEXTDC products.

Industry demand and drivers

Demand for co-location services is strong, driven by cloud computing, growth in data consumption and the growing trend for telecommunication and managed IT service providers to acquire data centre space in carrier-neutral facilities to supplement their existing data centres. It is estimated that over three-quarters of organisations with a data centre service are utilising outsourced providers to some extent. Both co-location and managed hosting services are expected to grow strongly over the next few years, given increased customer requirements for improved security, redundancy, power and cooling.

Additionally, a large proportion of Australian companies and government entities prefer data centre providers with a domestic presence for reasons of security, performance and regulatory considerations. Multi-national cloud providers are not pushing data out of Australia, they are pushing data into Australia because Australian customers want their data housed locally.

	30 June 2014	31 Dec 2013	30 June 2013	31 Dec 2012	30 June 2012
ECONOMIC INDICATORS					
Revenue pipeline [1] (annualised, unweighted)	$144m	$127m	$119m	$109m	$33m
Customers [2]	302	202	130	106	59
Orders [3]	722	455	240	174	75
Cross connects [4]	1,488	1,006	513	226	81
Annualised contracted recurring revenue [5]	$41.7m	$35.1m	$30.7m	$11.4m	$8.9m
CAPACITY AND UTILISATION					
Operating facilities [6]	5	4	3	3	1
Installed capacity [7]	19.65MW	14.05MW	8.95MW	8.95MW	2.25MW
Contracted customer utilisation [8]	11.86MW	10.68MW	9.75MW	2.64MW	2.34MW
% of installed capacity	59%	76%	109%	30%	104%
Active customer utilisation [9]	10.61MW	7.17MW	2.42MW	1.92MW	0.33MW
% of installed capacity	54%	51%	27%	21%	14%

1. Revenue Pipeline: Includes all identified opportunities where a qualified customer has a measurable requirement. The value reflects the annualised revenue relative to the opportunity, and is unweighted for probability.
2. Customers: The number of counterparties which have executed a Master Services Agreement with NEXTDC.
3. Orders: The number of orders for racks or whitespace requirements placed by customers. Excludes cross connects or any other ancillary services.
4. Cross connects: The number of physical links between customers within a data centre, for which NEXTDC charges a recurring monthly fee.
5. Annualised Contracted Recurring Revenue: This excludes power recharges for whitespace customers, cross connects or any other ancillary services, and includes contracts which may have deferred commencement dates. This does not represent a forecast of annual revenue.
6. Operating Facilities: The number of facilities which had commenced operations prior to the reporting date.
7. Installed Capacity: Includes the total power capability of the data centre space fitted out across all operating facilities.
8. Contracted Customer Utilisation: Total of all sold capacity in kW including customers with deferred contract commencement dates.
9. Active Customer Utilisation: Total of all sold capacity in kW where the service has commenced.

Sustainability

Climate change

Our Energy and Environmental Policy reflects our focus on the continuous improvement and delivery of sustainable initiatives, not just to comply with the law, but to also exceed minimum requirements. By establishing appropriate objectives and targets, NEXTDC is committed to assessing and reducing the energy and environmental impacts of its data centres.

Energy and environmental objectives include:

- complying with all applicable legislative and regulatory requirements relating to energy and the environment
- increasing the awareness of how each individual in our data centres may contribute towards reducing their impact on energy usage and the environment
- designing data centres using the latest technology to reduce energy use and impact on the environment
- ensuring top priority is given to recycling, waste prevention and the elimination or reduction of wasteful practices, and
- creating an open dialogue with those interested in our environmental performance.

NEXTDC is cognisant of the impact of climate change not only on the broader environment but also its effect or potential effect on NEXTDC's business. Although NEXTDC does not account for carbon emissions it does undertake monitoring for reporting under National Greenhouse and Energy Reporting Act ("NGER"). We are not a liable entity under the *Clean Energy Act 2011* and do not currently have obligations to register and report under the *National Greenhouse and Energy Reporting Act 2007* as we have not yet reached the facility or corporate reporting thresholds.

National Australian Built Environment Rating System (NABERS)

NEXTDC was one of the original signatories to NABERS for Data Centres and, during FY15, will begin the monitoring cycle for this standard. NEXTDC is committed to achieving NABERs ratings for its greenfield data centres and is targeting an industry leading PUE (power usage effectiveness) measure across all of its data centres of 1.4 average over a full year, once the data centres are fully built and operating at target customer load.

NABERS

Solar

NEXTDC has always been proactive in working to reduce energy consumption and the use of non-renewable energy sources where practical and economic. NEXTDC's M1 Melbourne data centre has a 400kW solar rooftop array, believed to be the largest privately funded such array in Australia, expected to produce approximately 550MWH per annum in renewable energy. The array would then off-set over 670 tonnes of CO_2 per annum, equivalent to the carbon generated yearly by 200 cars. The array will produce around five percent of the electricity that NEXTDC's customers at M1 are expected to use during the coming few years and helps reduce our peak demand for energy from the grid, helping the City of Melbourne achieve its stated sustainability and clean energy goals.

NEXTDC has plans for similar arrays at its S1 Sydney and P1 Perth data centres.

NEXTDC has installed free-air economy and free-waterside economy cooling to greatly reduce the amount of electricity required to cool the data centres nationally. A key element of NEXTDC's data centre design has been energy efficiency and NEXTDC's future designs will continue this trend. The facilities are designed to run from utility and solar power, which only produce emission at the utilities' point of generation. The facilities also only operate diesel generators as a rarely required backup or during tests.

Efficiency (waste, water, energy)

NEXTDC's data centres are not manufacturing facilities and do not produce industrial waste from any production processes.

Based on current facility loads, the estimated annual water usage, primarily for evaporative cooling, will be approximately 44ML. Reliance on utility supplied water is reduced by the implementation of on-site rain water collection. Rain water collection systems are currently in their first year of implementation. Once a full year of usage has been metered across all facilities the average percentage rain water usage will be determined, allowing targets for rain water usage to be set.

NEXTDC data centres are not industrial production facilities and thus no manufacturing process type water discharge is produced. The majority of our water discharge is from conventional evaporative cooling equipment, the remainder being of a quality equivalent to that of conventional water discharge or sewage systems of office buildings.

Chillers and cooling equipment use environmentally friendly refrigerants.

NEXTDC Data Centres are located near the central business districts and within well-established business parks and thus do not impact on the biodiversity of the areas.

Compliance and sanctions

NEXTDC has not received any fines or non-monetary sanctions for non-compliance with any environmental law or regulation and is not aware of any environmental authorisation or licensing breaches. Similarly, NEXTDC has not received any fines or non-monetary sanctions for non-compliance with any other laws.

Environmental indicators	30 June 2014	31 Dec 2013	30 June 2013	31 Dec 2012
PUE [1]	1.9	-	-	-
Total Scope 1 emissions (tCO2e) [2]	247	98	-	-
Total Scope 2 emissions (tCO2e) [3]	17,522	10,575	-	-
Water consumption (kL) [4]	27,847	16,794	-	-

1. PUE: Power Usage Effectiveness. Reflects the ratio of the total power load across all NEXTDC facilities relative to the load used by customers. Includes NEXTDC facilities with relatively high PUEs due to low customer loads. This value is based on calculations performed at a point in time on 25 July 2014. PUEs are ambient weather dependent, and will be lower in cooler months and higher in warmer months. NEXTDC's weighted average target PUE across all facilities is 1.4.
2. Total Scope 1 emissions: Prepared in line with the National Greenhouse and Energy Reporting Act 2007 (NGER Act). Amounts are for the reporting period. Emissions relate to the burning of diesel for back-up power generation. NEXTDC is not yet affected by the NGER Act as it does not yet meet reporting thresholds.
3. Total Scope 2 emissions: Prepared in line with the NGER Act. Amounts are for the reporting period. Emissions relate to the consumption of electricity as drawn from electricity networks.
4. Water consumption: Total water drawn from water grids during the reporting period. Water consumed is predominately used for evaporative cooling.

Social

NEXTDC people

At 30 June 2014, NEXTDC had 139 employees, all directly employed by the Company. NEXTDC makes limited use of self-employed workers and no workers are covered by collective bargaining agreements.

	30 June 2014	31 Dec 2013	30 June 2013	31 Dec 2012	30 June 2012
PEOPLE AND CULTURE					
Headcount [1] (at period end)	139	131	85	83	54
BY DIVISION					
Head Office	25	24	24	22	16
Sales	21	21	20	23	14
Technology	13	14	9	8	7
Project management and engineering	13	12	10	14	9
Facility operations	30	29	22	16	8
Concierge 24/7	37	31	0	0	0
Employee Engagement [2]		88%			60%
Turnover rates [3]	17%	16%	16%	15%	10%

Employee retention is important to NEXTDC and we have a 100% return to work rate following maternity leave. During the year, four employees were entitled to parental leave. During the year, there was an increase in the number of employees taking up flexible working arrangements, following the introduction of the Flexible Workplace Policy during FY13.

1. Headcount: The number of employees as at the end of the reporting period (includes part-time employees).
2. Employee Engagement: The average rating provided by employees on the employee engagement survey conducted within the reporting period.
3. Turnover Rates: The average voluntary turnover rate for the reporting period.

Employee Engagement

Having an engaged workforce is vital to achieving our strategic objectives on an ongoing basis. Engaged employees result in better customer engagement and are more likely to result in reduced voluntary turnover rates. Surveys conducted by a third party consultant showed an increase in our employee engagement from 60% in 2012 to 88% in 2013. In addition, an Employee Engagement Project Team has been established to address ongoing feedback and to provide recommendations to senior management.

Our NEXTHEROES

The "NEXTHERO" recognition program selects a monthly winner from a short list of candidates nominated by all staff. Nominations are based on individual achievement or contribution that team members believe is exceptional. Each year, the recipients of the monthly NEXTHERO awards are eligible to be selected for annual category awards. Winners of the monthly and annual awards receive gift or travel vouchers.

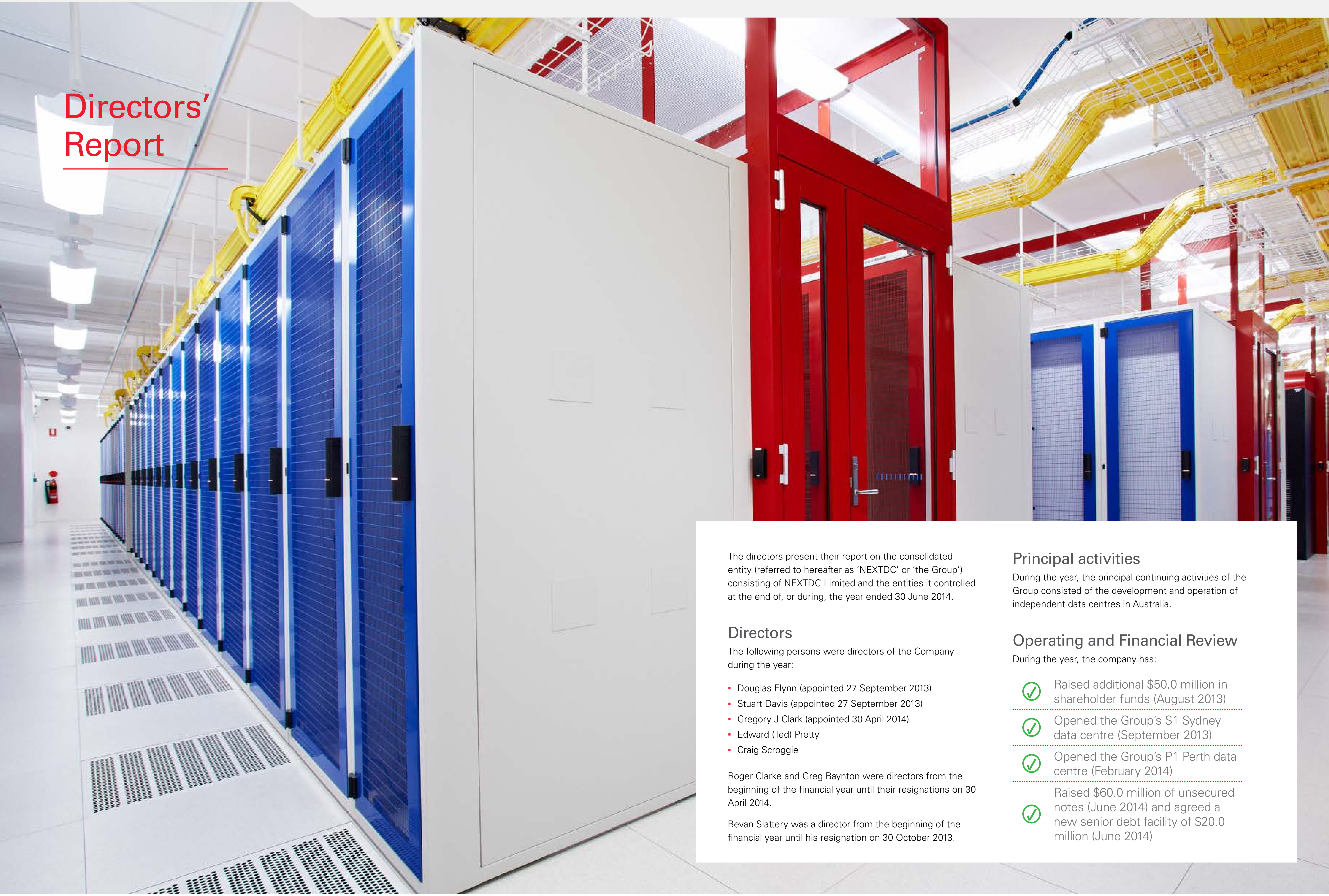
Our NEXTHEROES

Workplace Health & Safety (WHS)

NEXTDC, as the operator of five data centre sites, takes the health and safety of its employees seriously. We are pleased to report that, for the year ended 30 June 2014, the Company had a low number of incidents with only 17 incidents reported for the year, 15 of which resulted in injury which included 7 first aid injuries, seven medical treatment injuries and only one resulting in lost time.

The Company's WHS Committee meets regularly to review workplace health and safety matters and the Board of Directors is provided with regular reports on WHS matters. All employees are required to undergo WHS training and where particular roles require additional training, such as first aid or high voltage safety training, this training is provided. WHS policies and procedures are regularly reviewed and updated.

Directors' Report



The directors present their report on the consolidated entity (referred to hereafter as 'NEXTDC' or 'the Group') consisting of NEXTDC Limited and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors

The following persons were directors of the Company during the year:

- Douglas Flynn (appointed 27 September 2013)
- Stuart Davis (appointed 27 September 2013)
- Gregory J Clark (appointed 30 April 2014)
- Edward (Ted) Pretty
- Craig Scroggie

Roger Clarke and Greg Baynton were directors from the beginning of the financial year until their resignations on 30 April 2014.

Bevan Slattery was a director from the beginning of the financial year until his resignation on 30 October 2013.

Principal activities

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

Operating and Financial Review

During the year, the company has:

- Raised additional $50.0 million in shareholder funds (August 2013)
- Opened the Group's S1 Sydney data centre (September 2013)
- Opened the Group's P1 Perth data centre (February 2014)
- Raised $60.0 million of unsecured notes (June 2014) and agreed a new senior debt facility of $20.0 million (June 2014)

Financial performance and position

NEXTDC achieved a number of milestones and enjoyed a period of strong growth in the 12 months to 30 June 2014.

During the year, the Group experienced significant growth in number of customers, customer orders and data centre revenue. Data centre revenue for the year increased from $9.0 million to $30.4 million and included a nine-month contribution from S1 Sydney, which opened in September 2013, and a four-month contribution from P1 Perth, which opened in February 2014.

Net loss after tax was $22.9 million (2013: $2.2 million loss). Included in the result was a gain on the disposal of the Group's interest in Asia Pacific Data Centre Group ("APDC") of $1.7 million and development profit for the P1 Perth base building of $4.9 million. During the 2013 year, the Company recognised a gain of $14.6 million on the disposal of its controlling interest in APDC. The increased loss for the 2014 year also reflects increased facility costs including rent for P1 Perth from December 2013.

After adjusting for non-recurring items including profits of $7.1 million resulting from transactions involving APDC, and $1.3 million in advisory fees for fund raising activities ,non-statutory earnings before interest, tax, depreciation and amortisation (EBITDA) improved from a loss of $20.1 million in FY13 to a loss of $16.1 million in FY14.

During the year, $91.0 million was invested in data centre plant and equipment.

Funding

NEXTDC achieved another major milestone during the year with the issue of 5-year $60.0 million unsecured notes in June 2014. During August 2013, the Group also issued new shares, raising $50.0 million from institutional and sophisticated investors. The sale of NEXTDC's investment in APDC delivered $28.1 million cash in July 2013 and $24.1 million was received for building development fees. In total, almost $162.0 million was raised during the year.

In addition, the Group also refinanced its corporate debt facility. As at the date of this report, the Group had access to a further $20.0 million.

Cash, cash equivalents and term deposits at 30 June 2014 totalled $70.8 million (2013: $51.4 million).

Sales Performance

NEXTDC has continued to focus its sales strategy on partnering with providers of infrastructure, platform and packaged services. Flexibility offered by being carrier and vendor neutral allows customers a choice of carriers and systems integrators, leading to an increase in the number of unique customers to over 300 at 30 June 2014.

On 16 December 2013, NEXTDC announced a national agreement with Telstra which allows Telstra customers to install critical IT infrastructure in all of NEXTDC's data centre co-location facilities with connectivity via Telstra's Next IP® network.

Between 1 July 2013 and 30 June 2014, the Group's total contracted customer utilisation across all data centres increased from 10.68MW to 11.86MW.

Customer utilisation of the M1 Melbourne facility has increased from 50% to 53% of the total target power capacity (12.0MW) during the period from 1 July 2013 to 30 June 2014, an increase from 5,948kW to 6,394kW. In April 2014, a further 2MW of capacity was commissioned, taking the total installed capacity to 10MW (out of 12MW target fitout).

During the year M1 Melbourne commenced operating profitably before head office costs.

B1 Brisbane, a significantly smaller facility than M1 Melbourne, continues to operate profitably and has increased customer utilisation based on power capacity (2.25MW) from 45% (1,013kW) at 1 July 2013 to 69% (1,547kW) at 30 June 2014.

After opening on 30 September 2013, S1 Sydney's customer utilisation, based on total target power capacity of 11.5MW, has increased from 27% (3,105kW) to 32% (3,675kW). At the date of this report, 5.9MW capacity has been installed out of a total target capacity of 11.5MW. In the fourth quarter of the financial year, S1 Sydney achieved EBITDA break-even at the facility level.

After opening on 24 February 2014, P1 Perth's customer utilisation, based on total target power capacity of 5.5MW, has increased to 2.9% (162kW) at 30 June 2014. At the date of this report, 0.8MW capacity has been installed out of a total target capacity of 5.5MW

C1 Canberra is still in preliminary ramp up with customer utilisation based on total target power capacity of 4.1MW at 2%, or 80kW. On 9 July 2014, the Company announced that it had been admitted to the Australian Government Data Centre Facilities Supplier Panel, which will allow it to contract for data centre services to Federal Government departments at C1 and each of the other facilities around the country.

NEXTDC is deriving revenue from numerous product sources including white space, rack and block deals, establishment service fees and add-on services, and during June cross connectivity between customer racks generated approximately 4% of total recurring revenue.

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

Continuous innovation

Over the last 12 months, NEXTDC has continued to develop its internal systems and processes to allow for scalability in its rack solution offering, has achieved ISO 9001 certification (in respect of its head office, M1, S1, P1, B1 and C1 data centre facilities) and has received significant recognition for its revolutionary, award winning (and first of its kind) portal, ONEDC®.

In July 2014, the Company achieved ISO 27001:2005 information security management system certification for the operations and maintenance of its Sydney (S1) and Melbourne (M1) data centres as supported by the Brisbane head office. The certification confirms that NEXTDC has implemented an information security management system that provides a systematic approach to risk management and the protection of sensitive company information.

Business strategies and prospects for future financial years

The Group has built a strong and growing pipeline of sales opportunities across each of its operating markets. Based on a number of positive trends such as cloud and mobile computing, growth in internet traffic and data sovereignty matters, the Group expects that demand for carrier and vendor neutral outsourced data centre services will continue to grow for the foreseeable future.

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

- Continuing to sell uncontracted space and power in existing facilities
- Opportunities for growth beyond the existing data centre footprint is an obvious extension for the company. The Board has concluded that more progress towards profitability and appropriate return on funds employed is required than exists today before such decisions will be taken to deploy the capital to do so but subject to that the company is well positioned to grow in the future through:
- Developing new sites to cater for demand
- Expanding into new geographical markets
- Developing new revenue streams

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

Business risks

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

- Customer demand - NEXTDC's growth strategy incorporates commitment of substantial operational and financial resources to expand existing data centre facilities, and to develop and operate new facilities. Development or expansion of data centres is sometimes undertaken without significant pre-selling commitments from customers, and as such, there is a risk that sufficient demand for constructed data centre space may not exist. A lack of customer demand, or oversupply of data centre space in the market, could have negative implications on the Group's ability to achieve desired rates of return on investment, and have a material adverse effect on the growth prospects and/or financial position of the Group
- Funding - NEXTDC's business is capital intensive in nature, and the continued growth of the Group relies on the acquisition and development of new and existing data centres. NEXTDC requires sufficient capital to fund this expenditure. Failure to obtain 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 the financial performance, position and growth prospects of the Group

Significant changes in the state of affairs

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

- Issue of 5-year senior unsecured notes, raising $60.0 million
- Commencement of operations at S1 Sydney (30 September 2013) and P1 Perth (24 February 2014) data centres
- Additional 19,230,770 shares issued in August 2013, raising $50.0 million
- Sale of investment in APDC, which delivered cash proceeds of $28.1 million in July 2013

Matters subsequent to the end of the financial period

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial 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 fitout of data centre capacity in existing facilities and the pursuit of further growth opportunities.

Dividends

Dividends were neither paid nor declared during the year.

Environmental regulation

The Group is subject to environmental regulation in respect of its data centre operating activities as set out below.

Greenhouse gas and energy data reporting requirements

NEXTDC is not currently a large consumer of energy or an emitter of greenhouse gases. However, the Group expects in the future that it may be subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*.

The *National Greenhouse and Energy Reporting Act 2007* will require the Group to report its annual greenhouse gas emissions and energy use (see page 12).

Insurance of officers
During the period, NEXTDC Limited paid a premium of $21,841 (2013: $23,000) to insure the directors and officers of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such 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. It is not possible to apportion the premium between amounts relating to the insurance against legal costs 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 Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Meetings of directors
The number of meetings of the Company's board of directors and of each board committee held during the period, and the number of meetings attended by each director are as follows:

	Full meetings of directors		Meetings of committees: Audit and Risk Management		Meetings of committees: Remuneration and Nomination	
	A	B	A	B	A	B
Douglas Flynn [1]	10	10	N/A	N/A	N/A	N/A
Ted Pretty	17	17	4	4	2	2
Craig Scroggie	17	17	N/A	N/A	N/A	N/A
Gregory J Clark [2]	2	2	N/A	N/A	1	1
Stuart Davis [1]	9	10	1	1	1	1
Roger Clarke [3]	14	15	2	4	0	1
Greg Baynton [3]	15	15	4	4	1	1
Bevan Slattery [4]	8	9	N/A	N/A	1	1

A = Number of meetings attended

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

N/A = Not applicable. Not a member of the relevant committee

1. Douglas Flynn and Stuart Davis have been directors since 27 September 2013
2. Gregory Clark has been a director since 30 April 2014
3. Roger Clarke and Greg Baynton were directors until 30 April 2014
4. Bevan Slattery was a director until 30 October 2013

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 a current director of Seven West Media Limited and is Chairman of Konekt Limited and iSentia Group Limited.

Previously, Doug was Chief Executive of newspaper publisher, Davies Brothers Limited, which was acquired by News Corporation in 1989 and in 1995, 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 returned to Australia in 2008 and from April 2008 to April 2012, was a consultant to and a director of Qin Jia Yuan Media Services Ltd, the leading private television company in China.

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

Other current directorships
Doug also holds the following directorships:
- Seven West Media Limited (August 2008 – present)
- iSentia Group Limited (May 2014 – present)
- Konekt Limited (June 2012 – present)

Former directorships
- Qin Jia Yuan Media Services Limited
- Rentokil Initial PLC
- Aegis Group Plc
- News International Plc

Special responsibilities
- Chairman

Interests in shares and options
Douglas holds 27,979 fully paid ordinary shares in NEXTDC Limited.

Craig Scroggie
Chief Executive Officer (since June 2012)
Director (since November 2010)

Experience and expertise
Craig Scroggie is the Chief Executive Officer and an Executive Director of NEXTDC. He has substantial senior leadership experience within the IT and telecommunications industries.

Prior to joining NEXTDC, Craig held the position of Vice President and Managing Director of Symantec in the Pacific region where he was responsible for driving Symantec's sales and business development in the region. He also served as the senior leader for the overall Symantec business in the Pacific region which hosts more than 700 staff across 10 locations. During his time at Symantec, Craig previously held the position of Senior Director of business development for Asia Pacific and Japan, where he was responsible for leading enterprise business development for Symantec's fastest growing region.

Prior to his appointment as Chief Executive Officer, Craig served as a Non-Executive Director of NEXTDC for 18 months and as Chairman of the Audit and Risk Management Committee. Craig has previously held senior leadership positions with Veritas Software, Computer Associates, EMC Corporation and Fujitsu.

Craig is a Graduate and Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management and a Fellow of the Australian Sales & Marketing Institute. Craig 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, and a Master of Business Administration.

Other current directorships
Craig currently holds the position of Adjunct Professor in the Faculty of Business, Economics & Law at La Trobe University where he currently serves on the Business School Advisory Board. Craig was formerly the Chairman of the La Trobe University Graduate School of Management Board.

Interests in shares and options
Craig holds 510,714 fully paid ordinary shares, 1,768,093 shares via the NEXTDC Loan Funded Share Plan and 250,000 unlisted options.

Stuart Davis

Non-Executive Director (since September 2013)

Experience and expertise

Stuart was an international banker with over 30 years with the HSBC Group including roles in Hong Kong, New York, Taiwan, India and Australia. Most recently 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 2006 to 2009.

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

Other current directorships

Stuart also holds the following position:

- Non-Executive Director of Advisory Board of Built Holdings Pty Ltd (August 2013 – present)

Former directorships

Stuart previously held directorships with subsidiaries of HSBC Group.

Special responsibilities

- Chairman of the Audit and Risk Management Committee

Interests in shares and options

Stuart does not hold any shares in NEXTDC Limited.

Edward (Ted) Pretty

Non-Executive Director (since April 2011)

Experience and expertise

Ted Pretty is a leading business executive and director with significant experience particularly in telecommunications and information technology innovation and product development. His depth of understanding across a broad range of business sectors is well known. He has a Bachelor Degree in Arts (Economics) and First Class Honours Degree in Law.

Other current directorships

- Director of Hills Limited (since 3 Sep 2012)

Former directorships

Ted has previously held public company directorships with Korvest Limited, Fujitsu Australia Limited, and RP Data Limited.

Special responsibilities

- Chairman (September 2013 to April 2014)
- Member of the Remuneration and Nomination Committee
- Member of the Audit and Risk Management Committee

Interests in shares and options

Ted holds 750,000 shares directly or indirectly in NEXTDC Limited.

Gregory J Clark

Independent Non-Executive Director (since 30 April 2014)

Experience and expertise

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

Dr Clark has recently, after nine years, retired from the Board of the ANZ Banking Group where he chaired the Board 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 market place, and he has held senior executive positions in IBM, News Corporation and Loral Space and Communications.

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 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. He was COO at Loral Space and Communications, the world's largest satellite manufacturer, 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, SpaceSystemLoral, Kesmai, Etak and others.

Other current directorships

Dr Clark is currently Chairman of the Australian National University Advisory Board for the Research School of Science and Engineering. He is Chairman of the CUDOS Advisory Board, an Australian Research Council Centre of Excellence for Ultrafast Devices and Photonics. He is also currently on the Board of the Sydney University Physics Foundation.

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

Chairman of the Remuneration and Nomination Committee

Interests in shares and options

Gregory does not hold any shares in NEXTDC Limited.

Company secretary

The company secretary at the end of the financial year was Tanya Mangold.

Tanya is the Chief Legal Officer of NEXTDC Limited.

Her recent experience includes serving as a solicitor with Clayton Utz, a corporate legal advisory role at the Capricorn Society Ltd and as a senior manager and in-house corporate counsel for large insurance companies in South Africa.

She has obtained a Bachelor of Commerce (Business Economics / Law), Bachelor of Law, Master of Laws (Banking law), Postgraduate Certificate in Advanced Taxation, Graduate Diploma in Advanced Taxation and completed Law Extension Committee courses for the purposes of admission as an Australian legal practitioner. Ms Mangold is a member of the Queensland Law Society, Australian Corporate Lawyers Association (ACLA) and an Affiliate of the Australian Institute of Company Directors (AICD).

Roger Clarke

Non-Executive Director

Experience and expertise

Mr Roger Clarke was in office as a non-executive director from the start of the financial year until his resignation on 30 April 2014.

Gregory Baynton

Non-Executive Director

Experience and expertise

Mr Gregory Baynton was in office as a non-executive director from the start of the financial year until his resignation on 30 April 2014.

Bevan Slattery

Non-Executive Director

Experience and expertise

Mr Bevan Slattery was in office as a non-executive director from the start of the financial year until his resignation on 30 October 2013.

Remuneration Report

This report sets out the remuneration arrangements for Directors and other Key Management Personnel (KMP) of NEXTDC for the year ended 30 June 2014 (FY14), and is prepared in accordance with section 300A of the Corporations Act 2001 (Corporations Act). The information in this report has been audited as required by section 308(3C) of the Corporations Act.

This report is presented in the following sections:

Remuneration Report - Audited

1. Message from the Board

Welcome to NEXTDC's 2014 Remuneration Report where we explain how our stated corporate vision to become the most recognised, connected and trusted data centre brand in Asia Pacific will support long term shareholder value and returns as set out in section 7.1. In our opening message, the Board seeks to explain briefly how performance has been linked to rewards in 2014 and to outline changes being made to our remuneration policy in the future to help strengthen the alignment between shareholder returns and performance related remuneration.

In 2014, the Company completed the initial construction and development phase of its national network of facilities. During this period we achieved a number of important milestones some of which include:

- Delivery of NEXTDC's S1 Sydney and P1 Perth facilities completing the national network of operational data centres capable of servicing a diverse community of both international and domestic enterprise, government and hosting providers;
- In July 2014, ISO 27001: 2005 information security management system certification was achieved for the operations and maintenance of the S1 Sydney and M1 Melbourne data centres (supported by the Brisbane head office) which helps us meet the contractual requirements of both domestic and international customers who demand the highest global information security standards following many months of planning and implementation;
- ISO 9001 quality management system was completed across all five of NEXTDC's data centres and its Brisbane head office with P1 Perth and S1 Sydney being added during FY14. Certification demonstrates our ability to operate a quality management system which complies with the requirements of ISO9001:2008 for the design, development and provision of secured data centre infrastructure and associated services;
- Attainment of the globally recognised Uptime Institute (UTI) Tier III data centre standard for Melbourne, Sydney and Perth data centres. Certification represents the ability to support extremely high levels of service availability, critical for attracting and retaining key customers;
- On 9 July 2014, admission by the Australian Government Department of Finance to the Data Centre Facilities Supply Panel ("Panel") which allows NEXTDC to contract with Federal Australian Government departments;
- Issuing $60.0 million in unsecured notes to help support the Company's near-term capital needs and establishing a $20.0 million senior secured working capital facility with NAB;
- Significant increases in customers, orders, cross-connects, utilisation and installed capacity; and
- Significant increases in annualised contracted revenue and the revenue pipeline.

Pivotal to NEXTDC's strategy is to have the right people in place to lead the Company through this present phase as we transition from a start-up to being fully operational and to help set the foundation for sustainable and long term growth.

As shareholders may be aware, we recorded a 'first strike' against our 2013 Remuneration Report and since then a comprehensive review has been undertaken to assess the Company's remuneration structure, how it was aligned to driving performance against our stated strategy and whether it satisfied shareholder and market expectations and practices.

As part of this review we engaged an independent external remuneration consultant and we met with proxy advisors and with shareholders. We'd like to thank our stakeholders who took the time to engage with us and share their ideas and views.

Some of the feedback we received was that the Company had failed to adequately explain the remuneration structure it had in place and to disclose performance metrics. As part of the engagement, all stakeholders acknowledged the entrepreneurial nature of the business and that we were not a mature going concern but rather that we were building our business and infrastructure from 'the ground up'.

This helped to set in context the challenge of structuring a traditional reward package for the CEO and the reasons for the original contractual package. The original contract entered into also took into consideration what the CEO was earning before joining NEXTDC, his unique sales, technology and security expertise and the challenges inherent in building a start-up business, recruiting and developing a management team and driving a culture to deliver on the Company's strategy.

The Board strongly believes that the CEO is the right person with the right credentials to lead the Company and that his performance, backed up by the Company's achievements, supports their confidence in him.

Having said that, the Board acknowledges that improvements can be made to remuneration structure to better align it with shareholder expectations and market best practice. Some changes have therefore been made and implemented for the 2015 financial year, while others will need to be gradually phased in as contractual arrangements end.

Briefly, the enhancements to remuneration structure include:

- Providing greater disclosure of Short Term Incentive (STI) performance measures
- Introducing a rights based Long Term Incentive (LTI) plan with performance measured based on market adjusted Total Shareholder Return (TSR)
- Introducing a three year measurement period for the LTI
- Changing the remuneration mix to place greater emphasis on LTI
- Grandfathering of the loan funded share plan (LFSP)

We look forward to continued engagement with our stakeholders and look forward to your comments on our enhanced remuneration structure and the Remuneration Report.

2. The persons covered by this report

Key Management Personnel ("KMP") include Directors of the Company 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.

For FY14, the role of Executive General Manager – Sales and Marketing, held by Adam Scully, has been included as part of our KMP (Senior Executive) group. This change is a result of the expansion of the authority and responsibilities of this role from 1 January 2014, in particular his responsibility to supporting NEXTDC's sales and marketing strategy. There were no other changes to the Senior Executive group during FY14.

Non-Executive Directors

Name	Position
Douglas Flynn (appointed 27 September 2013)	Non-Executive Chairman since 30 April 2014
Edward (Ted) Pretty	Non-Executive Director Member of Audit and Risk Management Committee Member of the Remuneration and Nomination Committee
Stuart Davis (appointed 27 September 2013)	Non-Executive Director Chair of the Audit and Risk Management Committee since 21 February 2014
Gregory J Clark (appointed 30 April 2014)	Non-Executive Director Chair of Remuneration and Nomination Committee since 30 April 2014
Greg Baynton (resigned 30 April 2014)	Non-Executive Director
Roger Clarke (resigned 30 April 2014)	Non-Executive Director
Bevan Slattery (resigned 30 October 2013)	Non-Executive Director

Senior Executives

Name	Position
Craig Scroggie	Chief Executive Officer, Executive Director
Simon Cooper	Chief Operating Officer
Paul Gampe	Chief Technology Officer
Paul Jobbins	Chief Financial Officer
Tanya Mangold	Chief Legal Officer / Company Secretary
Adam Scully (from 1 January 2014)	Executive General Manager – Sales and Marketing
Annabel Sammut	Head of People and Culture

Changes since the end of the reporting period

Since the end of the reporting period, David Dzienciol was appointed Executive General Manager, ONEDC.

3. Response to Vote Against 2013 Remuneration Report

3.1 Complete Review of KMP Remuneration

At the 2013 Annual General Meeting (AGM) the Company recorded a "strike". Under the Corporations Act a strike occurs when more than 25% of eligible votes cast are against the resolution to adopt the Remuneration Report.

At the time of the 'first strike' in October 2013, the Company's remuneration policies were already in place for 2014. The Board was therefore not in a position to make any direct changes to remuneration for the 2014 reporting period.

However, since the strike was recorded NEXTDC has been diligent in examining the issues raised, and has sought input from:

- Shareholders;
- Proxy advisors and stakeholder group representatives such as the Australian Council of Superannuation Investors;
- Independent external remuneration consultants approved by the Board (ERCs as defined in the Corporations Act);
- Tax consultants to ensure appropriate tax related outcomes for both the Company and for KMP; and
- Legal advisors to ensure remuneration practices and the improved framework is suitable and robust from a legal perspective.

In engaging with these parties a number of areas for improvement were identified. This has resulted in a complete review of all practices, policies, plans and other documentation related to KMP remuneration.

To help develop an appropriate foundation for future practices the Remuneration and Nomination Committee has introduced a formal Remuneration Governance Framework which, at the core, consists of:

- A revised Remuneration and Nomination Committee Charter which now mandates the development and maintenance of other Remuneration Governance Framework elements;
- A revised Securities Trading Policy;
- A Senior Executive Remuneration Policy;
- A Non-executive Director Remuneration Policy;
- A Short Term Incentive (STI) Policy and Procedure document; and
- A Long Term Incentive (LTI) Policy and Procedure document.

As announced to the ASX on 17 June 2014, each of these documents can be viewed on the Company website at www.nextdc.com/our-company/investor-centre/documents/corporate-governance. The framework is discussed in greater detail later in this report.

In addition to the development of remuneration governance framework documents, NEXTDC has completed a thorough review of:

- The long term incentive plan, which is intended to be replaced, subject to shareholder approval at the 2014 AGM of the Company, and which in future will also be governed by the LTI Policy and Procedure document;
- The short term incentive plan, which is also intended to be replaced effective for the 2015 financial year. This plan will, in future, be governed by a formal set of plan rules as well as the STI policy and procedure;
- Senior executive and non-executive director remuneration quantum and structures including benchmarking and obtaining remuneration structure and design advice; and
- The nature of disclosure and communication regarding KMP remuneration governance, practices and outcomes, as outlined in this report.

3.2 Key Issues Identified and Overview of Responses to Them

All of the items outlined above are subject to significant change as a result of the review, advice received and the improvements made. A summary of the improved Remuneration Governance Framework and the component documents and policies is presented later in this report. Outlined below are responses to the issues raised by shareholders and proxy advisors in their comments about the 2013 remuneration report and at the 2013 AGM:

- The Base Package of the CEO, Mr Craig Scroggie, was considered high relative to sector and market peers as assessed by the proxy advisors and the Base was considered overweight as a mix of total remuneration comprising STI and LTI. The Board notes the start-up nature of the Company at the time of the CEO's appointment and that sector and market peers were therefore not a representative comparator group. Further, recruiting the right person for the role of CEO at this critical juncture of the Company's development was essential to enable it to achieve its stated growth strategy and build shareholder value. The Base Package was determined to be appropriate given the calibre of the individual and that the role required him to help build the systems and infrastructure required, assemble a team with the credentials to run a relative start-up, develop the required culture to be successful and generate sales with domestic and international customers.
- The Board further notes that the CEO's original contract did not allow for STI however it included a LTI in the form of a loan funded share plan (LFSP) over four years which was service tested and included share price hurdles that were considered to be stretching and which provided a performance measurement linked to shareholder value. This was deemed appropriate at the time given the importance of retaining the CEO whilst endeavouring to provide an award for long term performance at a time of pre-profit. As the performance measures under the LFSP do not meet market best practice, it will be grandfathered and no further grants will be made under it. Subject to shareholder approval, it will be replaced with a market best-practice rights-based plan (the Executive Incentive Rights Plan) which is intended to scale awards with long term performance relative to objectives linked to shareholder benefit. The rights based plan will be offered to KMPs.
- In relation to feedback that there was little disclosure about the structure of the STI plan, a new target-based plan which scales awards with key performance indicators of company and individual performance has been introduced for the 2015 year (see description later in this report).
- Changes have been made to target remuneration profiles (the mix of elements of remuneration) to the extent possible in the case of each executive, and will continue to be made until optimal target remuneration profiles are reached. This has resulted in an improved mix of short and long term incentives relative to Base Package. New structures will be implemented from 1 July 2014 for most and some will be phased in over time to ensure total remuneration remains appropriate to the current circumstances of the Company.
- The Board notes that it was found that for other Senior Executives, excluding the CEO, Base Packages were either aligned with or below the middle of the market of comparable ASX listed companies, and changes to the Base Packages for some incumbents have been made to ensure they are appropriate to the current circumstances of the Company.
- At this stage, the Board does not believe it is appropriate to reduce Base Packages as this would generate a significant talent management and turnover risk for key roles.
- It was also found that non-executive directors were remunerated at a level below the middle of the market of comparable ASX listed companies, and changes to the fees have been made to ensure they are appropriate to the current circumstances of the Company.
- The Remuneration Governance Framework, being the formal policies and procedures of the Board regarding how KMP remuneration is to be governed, was considered to require improvement and has been fully developed and disclosed in line with best-practices as advised by independent external remuneration consultants.
- The Board has sought to improve the quality, scope and transparency of the disclosures made to shareholders in relation to KMP remuneration matters, such as in this Remuneration Report.

The improvements and changes outlined above have now been implemented for the 2015 financial year.

4. Overview of New Remuneration Governance Framework and Strategy

The Board of NEXTDC has consulted with stakeholders and expert advisors to develop and adopt, independently of management, a thorough remuneration governance framework that will guide remuneration practices starting with the 2015 financial year. The following outlines the framework elements and a summary of their content:

4.1 Remuneration and Nomination Committee Charter

An improved Remuneration and Nomination Committee (the Committee) Charter has been developed. The improvements included responding to changes to the ASX Corporate Governance Council's Principles and Recommendations (3rd edition) and to more directly address ASX Listing Rules and Corporations Act requirements.

The charter now provides the mandate for the Committee to develop and maintain other documents and policies to assist in governing KMP remuneration practices to be adopted by the Board, together referred to as the Remuneration Governance Framework. The charter now more fully outlines the responsibilities of the Committee, its membership and other relevant factors, which is intended to reflect best-practice.

4.2 Securities Trading Policy

- The Securities Trading Policy of the company was improved to create greater clarity regarding when directors and Senior Executives of the Company may trade in the securities of the Company. Amendments were also made to improve clarity regarding the point at which securities granted under a long term incentive plan would become taxable, if subsequently subject to the Securities Trading Policy. In summary, directors and Senior Executives are prevented from trading in the securities of the Company except during Trading Windows, which are:
- The six weeks following the two trading days immediately after:
  - The date of the Company's annual general meeting (AGM);
  - The release by the Company of its half yearly results announcement to the ASX Limited (ASX);
  - The release by the Company of its yearly results announcement to ASX; or
  - The release of a disclosure document offering equity securities in the Company, or
- Another period as declared by the Board from time to time as may be appropriate.

The above will allow Senior Executives and directors to trade in Company securities only if they are not in possession of inside information. While some of the parts of the policy are not binding on other employees, the insider trading provisions are, and it is recommended all employees act in accordance with the policy.

4.3 Senior Executive Remuneration Policy

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

- The Chief Executive Officer - accountable to the Board for the Company's performance and long term planning;
- Direct Reports to the Chief Executive Officer – roles that are business unit, functional, or expertise heads;
- Other executive roles classified as KMP under the Corporations Act; and
- Other roles or individuals from time to time, as nominated by the Board.

The policy outlines the Company's intentions regarding Senior Executive remuneration, as well as how remuneration is intended to be structured, benchmarked and adjusted in response to changes in the circumstances of the Company, and in line with good governance.

Broadly the policy describes the following in relation to Senior Executives:

- Remuneration should be composed of:
  - Base Package (inclusive of superannuation, allowances, benefits and any applicable fringe benefits tax);
  - STI which provides a reward for performance against annual objectives; and;
  - LTI which provides a securities-based reward for performance against indicators of shareholder benefit or value creation, over a three year period.
  - In total, the sum of the elements will constitute a total remuneration package (TRP).
- Both internal relativities and external market factors should be considered;
- That TRPs should be structured with reference to market practices;
- That the Base Package policy mid-points should be set with reference to P50 (the median or the middle) of the relevant market practice;
- That TRPs at Target (being the Base Package plus incentive awards intended to be paid for targeted levels of performance) should be set with reference to P75 (the upper quartile, the point at which 75% of the sample lies below) of the relevant market practice so as to create a strong incentive to achieve targeted objectives in both the short and long term;
- Remuneration will be managed within a range so as to allow for the recognition of individual differences such as the calibre of the incumbent and the competency with which they fulfil a role;
- Exceptions will be managed separately such as when particular talent needs to be retained or there are individuals with unique expertise that need to be acquired ("Red circle" exceptions);
- Termination benefits will generally be limited to the default amount allowed for under the Corporations Act (without shareholder approval); and
- How various components of remuneration should be treated in the case of a termination.

The document also outlines the procedure that should be undertaken to review Senior Executive remuneration and determine appropriate changes.

While some changes to NEXTDC's practices have already been implemented, full migration to align with this policy will take some time to ensure the retention of key talent while ensuring total remuneration package outcomes are reasonable and appropriate (noting that incentives are determined as a percentage of base packages).

4.4 Non-executive Director Remuneration Policy

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 may be composed of:
  - Board fees;
  - Committee fees;
  - Superannuation;
  - Other benefits; and
  - Securities (if appropriate at the time).
- Remuneration will be managed within the aggregate fee limit (AFL) or fee pool approved by shareholders of the Company;
- Guidelines regarding 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;
- Termination benefits will not be paid to non-executive directors;
- A policy 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 P50 (median or middle) of the market 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 that the inclusion of these should result in outcomes that, when combined with Board Fees will not exceed P75 of the market of comparable ASX listed companies;
- Any non-executive director remuneration package that contains securities should fall at or below P75 of the market of the comparable ASX listed company market. Currently the Company does not provide securities as part of non-executive director remuneration and shareholder approval would be sought for any plan that may facilitate this element of remuneration being paid.

The document also outlines the procedure that should be undertaken to review non-executive director remuneration and determine appropriate changes.

4.5 Short Term Incentive Policy and Procedure

The Short Term Incentive Policy and Procedure may be summarised as follows:

- The Company should operate a formal Short Term Incentive Plan (STIP) as part of the remuneration offered to Senior Executives (as defined in the policy) to:
  - Motivate the right behaviours in Senior Executives to achieve the short-term annual objectives;
  - Create a strong link between performance and reward;
  - Share company success with the Senior Executives that contribute to it; and
  - Create a component of the employment cost that is responsive to short term changes in the circumstances of the Company,
- Non-executive directors are excluded from participation;
- The measurement period for performance should be the financial year of the Company which is considered short-term;
- As well as formal STIP rules, explanatory material should be provided to participants to clearly communicate the benefits of the scheme and motivational impact of performance;
- There should, where possible, be threshold, target and stretch levels of objectives with awards being scaled on a pro-rata basis dependent on actual performance. This is intended to provide a motivating opportunity to attain a reward under a range of circumstances, including continued outperformance above the target level of performance;
- The STIP should be outcome focussed rather than input focussed, and while an individual performance component should be present, rewards should generally be linked to indicators of shareholder value creation;
- The STIP should be pro-rated for the portion of the year worked in the case of a termination, but should not be triggered or accelerated;
- The Board will retain discretion to adjust actual awards so it can manage circumstances where the calculated award may be considered inappropriate;
- The Board has discretion to include deferral of some part of the award as part of a STIP offer;
- Should the Company introduce a clawback policy, it may apply to the STIP;

The document also outlines the procedure that should be undertaken in relation to the operation of the short term incentive scheme and determine appropriate actions, changes and considerations.

4.6 Long Term Incentive Policy and Procedure

The Long Term Incentive Policy and Procedure may be summarised as follows:

- The Company should operate a formal Long Term Incentive Plan (LTIP) as part of the remuneration offered to Senior Executives (as defined in the policy) to:
  - Motivate the right behaviours in Senior Executives to achieve the long-term annual objectives;
  - Create a strong link between performance and reward over the long term; and
  - Share long term company success with the Senior Executives that contribute to it.
- Non-executive directors are excluded from participation;
- The measurement period for performance should be aligned with the financial year of the Company and should include three financial years;
- As well as formal LTIP rules (currently the Executive Incentive Rights Plan or EIRP), explanatory material should be provided to participants to clearly communicate the benefits of the scheme to create the motivational impact for long term performance;
- There should, where possible, be threshold, target and stretch levels of objectives with vesting of LTI being scaled on a pro-rata basis dependent on actual performance. This is intended to provide a motivating opportunity to attain a reward under a range of circumstances, including continued outperformance above the target level of performance;
- The LTIP should be pro-rated for the portion of the year worked in the case of a termination (for a good leaver such as retirement with the Board's permission) but should not be triggered or accelerated;
- The Board will retain discretion to adjust actual vesting to manage circumstances where the calculated vesting may be considered inappropriate;
- Should the Company introduce a clawback policy, it may apply to the LTIP; and
- Hedging of Rights or restricted shares that arise from vested Rights is not permitted.

The document also outlines the procedure that should be undertaken in relation to the operation of the long term incentive scheme and determine appropriate actions, changes and considerations.

It should be noted that NEXTDC's practices cannot comply with this new policy until shareholders approve a new LTI plan.

The Board has proposed the EIRP be used to replace the current plan. More information on this change is provided later in this report.

4.7 Variable Remuneration – Short Term Incentive (STI) Plan (STIP)

SHORT TERM INCENTIVE (STI) PLAN COMMENCING FINANCIAL YEAR 2015 (FY15)

Aspect	Plan Rules, FY15 Offers and Comments
Purpose	The STI Plan's purpose is to give effect to an element of Senior Executive Remuneration. This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for Senior Executives to help achieve the Company's strategic objectives by delivering and outperforming annual business plans that will lead to sustainable superior returns for shareholders.
Measurement Period	The Company's financial year i.e. from 1 July to the following 30 June.
Award Opportunities	**PLAN RULES** The STI Plan allows for Board discretion over award opportunities.
	FY15 OFFER Senior Executives who are KMP have a target award opportunity of 25% of Base Package and a stretch (maximum) of 50% of Base Package.
	COMMENTS The target STI award opportunity is designed, when combined with Base Packages and target LTI value, to produce total remuneration packages that are consistent with the Company's Senior Executive Remuneration policy. That policy aims to enable the Company to attract, retain and motivate the calibre of executives required to achieve the Company's challenging business plans. As discussed elsewhere this policy will need to be phased-in in the case of some Senior Executives.
Key Performance Indicators (KPIs), Weighting and Performance Goals	**PLAN RULES** The STI Plan allows for Board discretion over KPIs that will be used, the weightings and Performance Goals.
	FY15 OFFER KPIs vary to some extent between participants and reflect the nature of their roles, while creating shared objectives where appropriate. KPIs used for FY15 include: ▪ Company KPIs: – Group EBITDA, – New kilowatts committed, – Price per kilowatt committed, ▪ Individual Performance KPIs: – Individual Effectiveness, and – Operational Development. Certain participants will have an 80% weighting applied to the Company KPIs noted above and a 20% weighting applied to the individual performance KPIs. Where a participant's position or responsibilities are such that this weighting is inappropriate, different weightings will be applied and the relevant weightings applied for the FY15 year will be disclosed retrospectively. Forward looking performance goals are not disclosed as they may be commercially sensitive.
	COMMENTS The Company KPIs were selected as being the most relevant drivers for improving financial performance and growth in shareholder value. Specifically, the Company KPIs were chosen because (a) Group EBITDA indicates ability to contribute to funding costs and capital expenditure (b) New kilowatts committed is connected to the volume of sales and indicates return on capital deployed (c) Price per kilowatt committed indicates sales discipline required to achieve appropriate return on capital deployed. For the individual performance KPIs, outcomes are primarily based on an individual's contribution to delivering specific projects encompassing diverse initiatives including funding, cost management, system development, building data centre capacity on time/on budget, meeting customer service level agreements, operational standards, business and security certifications, security remediation, sales and business development, contract management, people management, and new product development and commercialisation.

SHORT TERM INCENTIVE (STI) PLAN COMMENCING FINANCIAL YEAR 2015 (FY15)

Aspect	Plan Rules, FY15 Offers and Comments
Award Determination and Payment	**PLAN RULES** Calculations are performed following the end of the Measurement Period. Payments will be in cash unless otherwise determined by the Board and will normally be paid in September following the Measurement Period.
	FY15 OFFER Performance will be determined following audit sign-off of the accounts. STIs will be paid in cash via payroll with PAYG tax instalments deducted.
Cessation of Employment During a Measurement Period	**PLAN RULES** In the event of cessation of employment due to dismissal for cause all entitlement in relation to the Measurement Period are forfeited. In the event of cessation of employment due to resignation all entitlement in relation to the Measurement Period are forfeited, unless otherwise determined by the Board. In the event of cessation of employment for other reasons: The STI award opportunity for the Measurement Period will be pro-rata reduced to reflect the portion of the Measurement Period worked, and Performance and STI awards will be determined following the end of the Measurement Period in the normal way however the Board may determine to accelerate the determination and payment of STI awards subject to not exceeding the Corporations limit on termination benefits for managerial and executive officers. Payment of remaining STI awards will be as described above in "Award Determination and Payment".
Change of Control	**PLAN RULES** The Board has discretion to terminate the STI for the Measurement Period and make pro-rata awards having regard to performance or make pro-rata awards based on performance and allow the plan to continue for the Measurement Period or make no interim awards and allow the Plan to continue for the Measurement Period.
Plan Gate and Board Discretion	**PLAN RULES** If the Company's overall performance during the Measurement Period is substantially lower than expectations and resulted in significant loss of value for shareholders the Board may abandon the STI Plan for the Measurement Period or adjust STI payouts.
Fraud, Gross Misconduct etc.	**PLAN RULES** If the Board forms the view that a Participant has committed fraud, defalcation of gross misconduct in relation to the Company then all entitlements in relation to the Measurement Period will be forfeited by that participant.
Amendment of Plan Rules	**PLAN RULES** The Board has broad discretion to vary the Plan Rules or terminate the STI Plan but may not reduce earned entitlements without the consent of the Participant.

Legacy Short Term Incentive Plan (LSTIP)

Under the LSTIP the Company has applied several approaches. The main approach has been to advise Senior Executives as to the amount of STI award opportunity for the measurement period (typically a financial year) and the achievements that will influence the actual amount of award. At the end of the measurement period performance is assessed and the Board determines the amount of STI award to be paid. Payment has been in cash via payroll with PAYG tax deducted. On occasion STIs have been applied to the achievement of specific significant projects in which cases the awards are paid following completion of the project. Generally, Senior Executives have needed to remain employed by the Company for the full measurement period to qualify for STI awards.

4.8 Variable Remuneration – Long Term Incentive (LTI) Plan (LTIP)

LONG TERM INCENTIVE (LTI) PLAN COMMENCING FY15

Aspect	Plan Rules, FY15 Offers and Comments
Purpose	The LTI Plan's purpose is to give effect to an element of Senior Executive Remuneration. This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for Senior Executives to help achieve the Company's strategic objectives by delivering company performance that will lead to sustainable superior returns for shareholders. Another purpose of the LTI Plan is to act as a retention mechanism to maintain a stable team of performance focused Senior Executives. The current LTI Plan is the NEXTDC Executive Incentive Rights Plan (the EIRP).
Incentive Rights	**PLAN RULES** Three types of Incentive Rights may be offered: ▪ Performance Rights (LTI which vests based on performance); ▪ Retention Rights (LTI which vests based on service); and ▪ Deferred Rights (Deferred STI which vests based on service). On vesting an Incentive Right confers an entitlement to the value of a NEXTDC Limited ordinary share (Share) which the Board of NEXTDC Limited (the Company) may determine to pay in Shares and/or cash. Without the approval of the Board, Incentive Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered.
	FY15 OFFERS Performance Rights to be offered.
	COMMENTS The initial priority of the Board is to have a strongly performance focused LTI plan. Hence, Performance Rights will be used initially. Scope has been included in the Plan Rules to use Retention and Deferred Rights so that they may be used if and when considered appropriate by the Board. Incentive Rights do not carry dividend or voting rights.
LTI Value	**PLAN RULES** The Board has discretion over the value of LTI to be offered.
	FY15 OFFERS For Senior Executives who are key management personnel the target LTI value will be 37.5% of Base Packages. The LTI grant of Performance Rights is calculated by applying the following formula: *Number of Performance Rights = Base Package x Target LTI% ÷ Target Vesting % ÷ Right Value* NB: The Right Value is the volume weighted average share price of Shares over the 30 days up to and including 30 June 2014 (FY14) as the Company currently is not paying dividends. The "Target Vesting %" recognises that the stretch level of Rights needs to be granted and ensures that the target level of vesting occurs when target performance is achieved.
	COMMENTS The target LTI value is designed, when combined with Base Packages and target STI award opportunities, to produce total remuneration packages that are consistent with the Company's Senior Executive Remuneration policy. That policy aims to enable the Company to attract, retain and motivate the calibre of executives required to achieve the Company's challenging business plans. As discussed elsewhere this policy will need to be phased-in in the case of some Senior Executives.

LONG TERM INCENTIVE (LTI) PLAN COMMENCING FY15

Aspect	Plan Rules, FY15 Offers and Comments
Measurement Period	**PLAN RULES** The Measurement Period will be three years unless otherwise determined by the Board.
	FY15 OFFERS The measurement period will be the three financial years from 1 July 2014 to 30 June 2017.
	COMMENTS Three year Measurement Periods combined with annual grants will produce overlapping cycles that will promote a focus on producing long term sustainable performance improvement and aligned with shareholder value creation.
Vesting Conditions	**PLAN RULES** Board discretion to set vesting conditions for each offer. A gate of total shareholder return (TSR) being positive applies to all offers such that no vesting will occur if shareholders have not gained value over the Measurement Period (i.e. TSR must be greater than zero). The Board retains discretion to modify vesting. Incentive Rights that do not vest will lapse.
	FY15 OFFERS Except as indicated below, a participant must remain employed by the Company during the Measurement Period and the performance conditions must be satisfied for Rights to vest. The performance condition is market adjusted TSR which compares the TSR of the Company to the TSR of the All Ordinaries Accumulation Index (XAOAI) with the vesting percentages to be determined by the following scale:

Performance Level	Company's TSR Relative to Market TSR	% of Rights to Vest
<Threshold	<100%	0%
Threshold	100%	25%
>Threshold and <Target	>100% and <120%	Pro rata
Target	120%	50%
>Target and <Stretch	>120% and <150%	Pro rata
Stretch	≥150%	100%

Note: The gate (positive TSR) must be exceeded before any vesting occurs.

COMMENTS

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 the experience of shareholders and the scaling of rewards realised by Senior Executives.

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 Company TSR gate ensures that Senior Executives cannot benefit from the LTI Plan when shareholders have lost value over the Measurement Period.

The vesting 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 XAOAI) over the Measurement Period before any vesting may occur. Full vesting does not become available until the TSR of the Company reaches 150% of the TSR of the XAOAI over the Measurement Period. This would, in the Board's view, represent an outstanding outcome for the Company. The Target of 120% of the XAOAI TSR over the Measurement Period is considered by the Board to be challenging, but achievable.

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.

LONG TERM INCENTIVE (LTI) PLAN COMMENCING FY15

Aspect	Plan Rules, FY15 Offers and Comments
Retesting	**PLAN RULES** The Board has discretion to determine whether retesting will apply.
	FY15 OFFERS No retesting.
	COMMENTS The Board considered that retesting should not be part of the FY15 offers as the dominant market practice is not to allow retesting.
Amount Payable for Incentive Rights	**PLAN RULES** The Board has discretion to specify an amount payable for Incentive Rights.
	FY15 OFFERS No amount is payable for Incentive Rights.
	COMMENTS This is standard market practice and consistent with the nature of Rights.
Exercise of Vested Incentive Rights	**PLAN RULES** On vesting Incentive Rights will be automatically exercised and 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.
	FY15 OFFERS On vesting of Incentive Rights the Board will exercise its discretion.
	COMMENTS These are common plan design features.
Dealing Restrictions on Shares	**PLAN RULES** Shares acquired when vested Incentive Rights are exercise will be Restricted Shares. Such Shares may not be sold or otherwise disposed of until their sale would not breach the Company's securities trading policy, the insider trading provisions of the Corporations Act or any other additional dealing restrictions included in the offer of the Incentive Rights.
	FY15 OFFERS No additional dealing restrictions are to be attached to FY15 offers.
	COMMENTS Dealing restrictions aim to align the time when Shares may be sold with their taxing point.
Cessation of Employment	**PLAN RULES** 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 for other reasons: a. Incentive Rights that were granted to the Participant during the financial year in which the termination occurred will be forfeited in the same proportion as the remainder of the financial year bears to the full year. b. All remaining Incentive Rights for which Vesting Conditions have not been satisfied as at the date of cessation of employment will remain "on foot", subject to the original vesting conditions or the Board may determine to accelerate vesting subject to not exceeding the Corporations Act limit on termination benefits for managerial and executive officers.
	FY15 OFFERS No variation.
	COMMENTS Plan rules ensure that former employee participants who are "good leavers" will generally be treated the same as participants who remain employees.

LONG TERM INCENTIVE (LTI) PLAN COMMENCING FY15

Aspect	Plan Rules, FY15 Offers and Comments
Change of Control of the Company	**PLAN RULES** In the event of a change in control unvested Incentive Rights will vest in the same proportion as the Share price has increased since the beginning of the Measurement Period. Remaining Incentive Rights will either lapse or some or all may vest at the Board's discretion.
	FY15 OFFERS No variation.
	COMMENTS Plan rule provides participants with a floor level of vesting that reflects the experience of shareholders over the completed portion of the Measurement Period and allows the Board flexibility to respond to circumstances that warrant additional vesting.
Quotation	**PLAN RULES** Specific rule not needed.
	FY15 OFFERS Incentive Rights will not be quoted on the ASX. The Company will apply for official quotation of any Shares issued under the LTI Plan, in accordance with the ASX Listing Rules.
	COMMENTS This is a standard approach.
Amendment of Plan Rules	**PLAN RULES** The Board has broad discretion to vary the Plan Rules but may not reduce the entitlements of Participants in relation to previously offered Incentive Rights without the consent of the Participants.
Major Return of Capital to Shareholders	**PLAN RULES** Unvested Incentive Rights will vest in the same proportion as the Share price has grown since the commencement of the Measurement Period unless otherwise determined by the Board.
	FY15 OFFERS No variation.
	COMMENTS Aims to ensure that operation of the Plan is not undermined by a significant return of capital to shareholders.
Fraud, Gross Misconduct etc.	**PLAN RULES** If the Board forms the view that a Participant has committed fraud, defalcation or gross misconduct in relation to the Company then all unvested Incentive Rights will lapse.
Cost and Administration	**PLAN RULES** The Company will pay all costs of acquiring and issuing Shares including brokerage and all costs of administering the EIRP.
Other Terms of the LTI Plan	**PLAN RULES** The Plan also contains customary and usual terms having regard to Australian law for dealing with winding up, administration, variation, suspension and termination of the EIRP.
Hedging	**PLAN RULES** The Company prohibits the hedging of Incentive Rights and Restricted Shares by Participants.

Legacy Long Term Incentive Plan – Loan Funded Share Plan LFSP

Under the LFSP the Company provided nil interest, limited recourse loans to Senior Executives to fund the purchase of NEXTDC Limited ordinary shares (Shares). The purchase price of the Shares has not been less than the 30 day volume weighted share price of a Share at the time of the acquisition and was generally at a significant premium to the then market value of a Share. The premium share price has acted as a performance condition in that no benefit accrues to participants unless the market value of a Share exceeds its acquisition price. Further the amount of benefits directly relates to the amount by which the market value of a Share exceeds the acquisition price.

The loans are for a maximum period of five years. Vesting of the Shares occurs in four equal tranches i.e. as to 25% after 1 year, 50% after 2 years, 75% after 3 years and 100% after 4 years provided that the Senior Executive remains employed by the Company. In the event of a termination of employment loans become immediately repayable except in cases of Retirement and Permanent Incapacity when 3 and 6 months, respectively, are allowed for loan repayments.

In the event of a change of control event such as a takeover all shares vest.

As at the end of June 2014 no benefit had accrued to any Senior Executive who had acquired Shares under the LFSP. All outstanding loans are to be repaid no later than June 2018.

5. Realised remuneration

The following table details actual pay and benefits for Senior Executives achieved in FY14. This is a voluntary disclosure and has been included to assist shareholders in forming an understanding of the cash and other benefits actually achieved by Senior Executives from the various components of their remuneration during the 2014 financial year.

A portion of the short term incentives achieved during 2014 related to achievements during either 2013 or 2014 and were paid during 2014. The balance is expected to be paid during 2015.

The figures in this table have not been prepared in accordance with Australian Accounting Standards.

The value of the LTI grant that vested during the year differs from the table at section 8.1. The table in this section 5 includes only the value of the loan funded shares which vested and were exercisable during the year.

		Basic Package					STI Achieved		Value of LTI Grant that Vested			
Name	Year	Salary	Superannuation Contributions	Other Benefits	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Actual Total Remuneration Package (TRP)	Termination Benefits
Craig Scroggie [1]	2014	1,175,000	25,000	-	1,200,000	70%	200,000	11%	323,158	19%	1,723,158	-
CEO	2013	1,175,000	25,000	-	1,200,000	93%	-	0%	85,250	7%	1,285,250	-
Simon Cooper [2]	2014	398,502	17,775	14,469	430,746	78%	75,000	13%	50,000	9%	555,746	-
COO	2013	350,607	16,470	-	367,077	82%	50,000	11%	31,429	7%	448,506	-
Paul Gampe [3]	2014	361,786	17,775	-	379,561	76%	100,000	20%	20,696	4%	500,257	-
CTO	2013	128,587	8,842	-	137,429	85%	25,000	15%	-	0%	162,429	-
Paul Jobbins [4]	2014	255,350	17,775	-	273,125	71%	100,000	26%	13,327	3%	386,452	-
CFO	2013	179,167	16,125	-	195,292	100%	-	0%	-	0%	195,292	-
Adam Scully [5]	2014	130,605	12,080	-	142,685	80%	21,462	12%	13,927	8%	178,074	-
Executive General Manager – Sales and Marketing	2013	-	-	-	-	-	-	-	-	-	-	-
Tanya Mangold [6]	2014	183,486	16,972	-	200,458	89%	25,000	11%	-	-	225,458	-
Chief Legal Officer / Company Secretary	2013	131,498	11,835		143,333	93%	10,000	7%	-	-	153,333	-
Annabel Sammut [7]	2014	135,000	14,181	-	149,181	84%	28,307	16%	-	-	177,488	-
Head of People and Culture	2013	133,689	12,032	-	145,721	100%	-	-	-	-	145,721	-
Robin Khuda	2014	-	-	-	-	-	-	-	-	-	-	-
Resigned 28/06/2013	2013	304,336	16,470	-	320,806	63%	34,789	7%	156,830	30%	512,425	311,029
Bevan Slattery	2014	-	-	-	-	-	-	-	-	-	-	-
Executive from 01/07/2012 to 15/10/2012	2013	92,172	6,881	-	99,053	100%	-	-	-	-	99,053	-

1. The STI achieved by Mr Craig Scroggie during 2014 related to performance during 2014 and is expected to be paid during 2015 FY.
2. The STI achieved by Mr Simon Cooper during 2014 related to performance during 2014 and is expected to be paid during 2015 FY.
3. Mr Paul Gampe commenced 4 February 2013, consequently his remuneration package for the 2013 financial year was only part-year. $25,000 of the STI achieved during 2014 related to specific project related targets in relation to the implementation of the Security Remediation Plan and was paid during 2014. $75,000 related to performance during 2014 and is expected to be paid during 2015 FY.
4. Mr Paul Jobbins commenced 15 October 2012, consequently his remuneration package for the 2013 financial year was only part-year. $50,000 of the STI achieved during 2014 related to specific project related targets in relation to new equity funding and bank facility arrangements and was paid during 2014. $50,000 related to performance during 2014 and is expected to be paid during 2015 FY.
5. Mr Adam Scully became a member of the executive team on 1 January 2014. Remuneration is shown for the period he was a Senior Executive. The STI achieved during 2014 related to performance during 2014. $6,984 of the STI achieved was paid during 2014 with the balance paid during 2015 FY.
6. Ms Tanya Mangold commenced 15 October 2012, consequently her remuneration package for the 2013 financial year was only part-year. The STI achieved during 2014 related to performance during 2014 and is expected to be paid during 2015 FY.
7. The STI achieved by Ms Annabel Sammut during 2014 included $18,307 which related to performance during 2013. $10,000 of the STI achieved related to performance during 2014 and is expected to be paid during 2015 FY.

6. Employment Terms for Senior Executives

6.1 Service agreements

On appointment to the Board, 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. A summary of the information is as follows:

Name	Duration of Initial Contract*	Notice Period	Termination Payments
Douglas Flynn	3 years	Nil	Nil
Gregory Clark	3 years	Nil	Nil
Stuart Davis	3 years	Nil	Nil
Ted Pretty	3 years	Nil	Nil

* Subject to re-election

Subject to ASX Listing Rules, directors must retire from office at the conclusion of the third annual general meeting after the Director was last elected and will be eligible for re-election at the annual general meeting. 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, up to the date of cessation. Remuneration and other terms of employment for the Chief Executive Officer and other key management personnel are also formalised in service agreements.

Other major provisions of the agreements relating to remuneration are set out below. Generally, most contracts with executives may be terminated early by either party with four weeks' notice, subject to termination payments as detailed below.

Name	Duration of Contract	Notice Period	Base salary including superannuation [1]	Termination Payments [2]
Craig Scroggie	4 years, ending 1 July 2016	12 months	$1,200,000	12 months of salary
Simon Cooper	No fixed term	3 months	$366,277	3 months
Paul Gampe	No fixed term	4 weeks	$382,375	4 weeks
Paul Jobbins	No fixed term	4 weeks	$273,125	4 weeks
Tanya Mangold	No fixed term	4 weeks	$200,459	4 weeks
Annabel Sammut	No fixed term	4 weeks	$147,488	4 weeks
Adam Scully	No fixed term	4 weeks	$270,000	4 weeks

1. Base salaries quoted are for the year 30 June 2014. They are reviewed annually by the Remuneration and Nomination Committee.
2. Base salary payable if the Company terminates employees with notice, and without cause (for example, reasons other than unsatisfactory performance).

7. Performance outcomes for FY14

The following outlines the performance of the Company over the 2014 financial year and the previous three financial years since the Company was incorporated.

Since listing in December 2010, NEXTDC Limited's share price has risen from $1.00 to $1.71 at 30 June 2014.

Year ended 30 June	2011*	2012	2013	2014
Net loss	($1,674,409)	($10,614,097)	($2,220,222)	($22,906,468)
Dividends paid	-	-	-	-
Share price at year-end	$1.70	$1.79	$2.67	$1.71
Change in share price		+$0.09	+$0.88	-$0.96

*2011 includes the period from incorporation on 11 May 2010 to 30 June 2011.

It is important to note that the 2014 financial year was only the Company's fourth full FY since inception. The performance outcomes during this start-up phase were therefore related to site selection, national development of complex data centre infrastructure and the recruitment of individuals with the skills to successfully execute the needs of a start-up. NEXTDC achieved delivery of the entire network of five data centres across the country within four years. The completion of each data centre was a significant strategic achievement for the Company as finalisation of construction enabled revenue generation.

The iterative process of developing the structure and its architecture, preparing the site and raising the base building, defining the core engineering across multiple disciplines, the detailed design of customer area fit-out, and procuring the critical infrastructure progressed across the five sites at a remarkable speed.

Briefly, in October 2011, the Company's first data centre, B1 Brisbane, commenced operations marking the start of NEXTDC's operational roll out. In the first half of the 2013 financial year, two more data centres commenced operations, specifically M1 Melbourne and C1 Canberra. In the 2014 financial year, the final two data centres planned for this phase both commenced operations, with S1 Sydney opening in September 2013 and P1 Perth in February 2014.

NEXTDC Limited has now progressed beyond the start-up phase and into the operational stage of its business plan with five large scale data centres, including its core business and operational support systems in place and a well established brand and reputation. Signed customers now exceed more than 300 international and domestic companies and include organisations such as Australia Post, Optus, Telstra, NEC and Dimension Data.

Through the development stage, and in the early years of operation, the operating costs of a data centre exceed sales revenue. Those costs are primarily made up of rent and facility staff, which are largely fixed, and power costs which are driven by customer use. Once sales of customer capacity increase to a level that covers fixed operating costs, operating leverage is available and is maintained due to the relatively long term customer contracts that are in place.

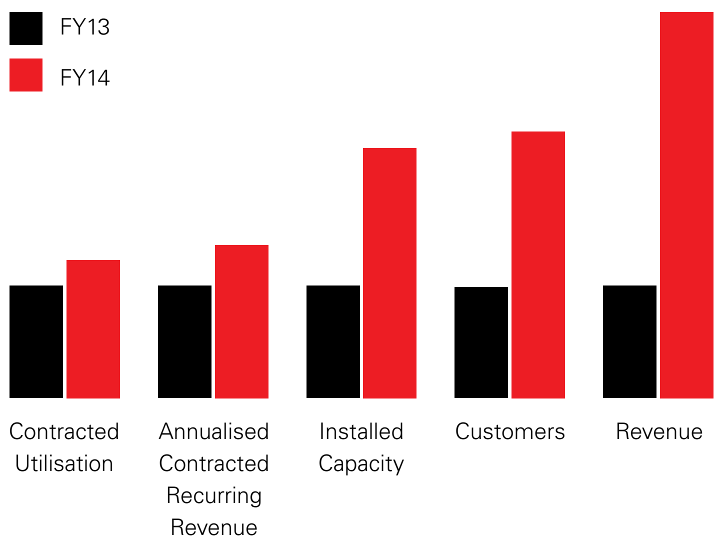
To support the Company through the construction, development and early operational stages, significant funding was required. The Company initially raised capital from shareholders and in August 2013 secured its first senior bank facility. During the 2013 and 2014 financial years, the capital recycling program involving the development of the Asia Pacific Data Centre Group property trust (APDC), and the associated sale and leaseback of three data centre buildings, realised approximately $140 million. In June 2014, the Company achieved the important strategic objective of further diversifying its funding base with the issue of $60 million in unsecured notes.

Future performance outcomes will largely depend on the achievement of strategic objectives which lead to increasing earnings. These objectives include the sale of installed capacity at the appropriate price, installation of capacity expansion on time in order to meet market and customer requirements, operational risk mitigation, product development, process and system development, staff retention, cost management and the ability to fund new expansion.

7.1 Links Between Performance and Reward

During the 2014 financial year many key strategic objectives were met, which are likely to lead to improved future performance. Revenue from data centre services increased from $9.0 million to more than $30.0 million and is expected to continue to increase leading to improvements in financial outcomes. Reported Net Loss increased which reflects the full year impact of the APDC sale and leaseback transaction which occurred in the 2013 financial year and increased operating costs related to the opening and start-up operation of two more data centres (Sydney and Perth). Significant increases were reported in contracted utilisation, contracted revenue, installed capacity, number of customers and data centre services revenue.

The following chart shows the increase in each metric relative to the 2013 financial year.



NEXTDC's remuneration strategy is designed to support and achieve its business strategy. Linking the at-risk components of remuneration (that is, our STI and LTI) to the drivers that help achieve the business strategy ensures that remuneration outcomes for senior executives are aligned with the creation of sustainable shareholder value.

NEXTDC's remuneration framework, supports its stated corporate vision to become the most recognised, connected and trusted data centre brand in Asia Pacific. As the Company has transitioned out of the start-up and into the operational phase, effective from 1 July 2014 the Board has identified the following drivers as essential to help achieve its corporate vision.

1) financial performance;
2) capital efficiency;
3) operational excellence; and
4) contracted revenue.

The at-risk components of executive reward are directly tied to these four strategic drivers, as shown in the following diagram. This is intended to motivate executives to focus on the areas the Board has identified as most important for delivering the business strategy. Actual remuneration outcomes for senior executives will be directly aligned with Group performance in these areas.

Strategic drivers	Link to STI performance measures	And LTI performance measure	Actual performance	Directly linked to what senior executives paid
Financial Performance Moving from pre-profit to EBITDA break-even and generating positive cashflows will help build greater earnings and returns **Capital Efficiency** Maximising contracted utilisation at an appropriate rate per MW will help generate the highest possible return on capital invested, with future capital investments tightly aligned to customer demand **Operational Excellence** Our operational standards differentiate and reflect our premier service offering and provide a competitive advantage that helps attract and retain the world's leading organisations as customers and partners **Contracted Revenue** The Company's sales model and strategy increases the breadth and depth of NEXTDC's selling capacity and market reach without adding to operating costs which helps to generate strong returns	**Group EBITDA** indicates ability to generate earnings and contribute to funding costs and capex **Price per kW committed** contributes to earnings and returns **New kW committed** indicates return on capital deployed and linked to volume of sales **Price per kW committed** indicates sales discipline required to achieve appropriate returns	**Relative TSR (effective for FY15)** measures the performance of NEXTDC shares over time, relative to other companies in a comparator group	**In FY14** Annualised contracted recurring revenue up 36% to $41.7 million (FY13: $30.7 million) High margin cross connects up 190% to 1,488 (FY13: 513), representing around 4% of recurring revenue for the year Contracted customer utilisation up 22% to 11.9MW (FY13: 9.8MW) through mainly higher-margin racks Annualised unweighted pipeline up 21% to $144 million (FY13: $119 million) **In FY13 (mid start-up phase)** On budget delivery of M1 Melbourne and C1 Canberra data centre buildings. On time delivery of critical customer specific projects Implementation of security remediation plan. Capital recycling program to establish Asia Pacific Data Centre Group and the associated sale and leaseback transaction.	Senior Executive STI outcome in FY14 was 64% of opportunity

The remuneration of Senior Executives is composed of three parts as outlined earlier, being:

- Base Package, which is not intended to vary with performance,
- STI which is intended to vary with indicators of Company and individual performance, and
- LTI which is also intended to deliver a variable reward based on Company performance.

During the 2013 and 2014 financial years, the remuneration package for CEO, Mr Craig Scroggie, did not include a formal short term incentive plan. After reviewing his performance during the 2014 year, the Board determined that it was appropriate to award Mr Scroggie a bonus based on the achievement of significant financial and operational milestones considered fundamental to the success of the Company to help it transition from a start-up to a fully operational business. A bonus of $200,000 was awarded and is expected to be paid in cash during the 2015 financial year, subsequent to the completion of the 2014 audited Financial Report. The award, which represents 16.7% of his base salary, was based on specific achievements including securing medium to long term funding, attaining business process and security standards, and on time project delivery of data centre buildings which were successful completed in FY14. Each milestone was considered significant to managing return on capital deployed and growth of the Company. For the 2015 financial year and future years, Mr Scroggie will participate in the formal STI Plan, with improved links between performance and reward aligned to the Company's strategic drivers, as outlined in section 4.7 and in this section 7.1 above.

Given the start-up phase of the business and multi-year nature of infrastructure development construction projects, the STI goals for Senior Executives other than the CEO span achievement of development milestones over a two-year period. During the 2014 financial year and under the LSTIP outlined in section 4.7, cash bonuses were paid in relation to performance during the 2013 financial year which were not included in the 2013 Remuneration Report. STI achievement for the 2014 financial years and future years will be disclosed in the year to which they relate.

Under the LSTIP outlined in section 4.7, cash bonuses were also paid during the 2014 financial year in relation to the achievement of specific project related targets during that year.

Other STI achieved during the 2014 financial year have been accrued and recognised in 2014. It is expected that the component of the STI achieved during the 2014 financial year will be paid in cash during the 2015 financial year. The strategic objectives that were measured and linked to the achievement of these STI and the Company's business strategy are set about below. On average 64% of the award opportunity available (i.e. of the maximum opportunity) for the 2014 financial year is to be paid as noted below.

Refer to the table and its footnotes in section 8.1 for detail of the amounts paid and recognised during the 2014 year.

In 2015, the conditions under the STI Group performance measures will be as outlined in section 4.7.

STI objectives for the year ended 30 June 2014

Name	Objective	Contribution to success	Measurement	Percentage of opportunity to be paid
Simon Cooper COO	On budget delivery of S1 Sydney and P1 Perth data centre buildings. On time delivery of critical customer specific projects.	Expansion of network of operating data centres to optimise return on capital deployed. Meeting key customer contractual commitments.	Projects completed on time and on budget.	82%
Paul Gampe CTO	Ongoing development and improvement of systems and procedures. Achievement of ISO 9001 and ISO 27001 compliance.	Protection of critical infrastructure essential for service delivery and customer retention. Compliance with key customer contractual requirements.	Successful implementation of security plan. Achievement of standard certification.	79%
Paul Jobbins CFO	New bank facility arrangements and completion of new debt and equity funding. Ongoing development of financial systems and procedures	Secured funding at appropriate cost and debt facility leading to appropriate capital structure to support the Company's needs.	Secured funding at appropriate cost and debt facility leading to appropriate capital structure.	73%
Adam Scully EGM -Sales and Marketing	Achievement of targets for new recurring revenue	Generating and increasing ongoing recurring revenue leading to increased orders, customers and improved profitability	Commission paid in accordance with Company Sales Incentive Plan	36%
Tanya Mangold CLO	New bank facility arrangements and completion of new debt and equity funding. Ongoing development of compliance systems. Update of precedents and sales documentation. Review and update of governance and other internal policies.	Secured funding at appropriate cost and debt facility leading to appropriate capital structure to support the Company's needs. Improved reporting and insight of compliance and related functions. Improved and new precedents suited to changing business needs.	Secured funding at appropriate cost and debt facility leading to appropriate capital structure. Compliance systems substantially progressed, new precedents rolled out, including improved sales documentation. Policies reviewed and updated.	50%
Annabel Sammut Head of People and Culture	Staff retention and recruitment of key positions. Development of HR systems and procedures	Recruitment and retention of key personnel required to meet company objectives.	Growth in staff numbers and retention of key personnel required to meet company objectives	27%

These objectives were selected because they were the most significant matters expected to contribute to the success of the Company.

The CEO assesses each Senior Executive's performance considering actual outcomes relative to the agreed targets. Based on this assessment, the CEO makes a recommendation to the Remuneration and Nomination Committee for Board approval of the amount of STI to award to each Senior Executive. In assessing the actual STI outcome for each individual executive, the Board exercises its discretion up or down based on value judgments on the quality of results and the satisfaction of each objective.

The Remuneration and Nomination Committee assesses the actual performance of the Group and the CEO against the actual outcomes relative to the agreed targets and recommends the quantum of the short-term cash incentive to be paid to the CEO for approval by the Board. These assessment methods have been chosen as they provide the Committee with an objective assessment of each individual's performance.

The STI paid in relation to the 2013 financial year was paid either during the 2013 financial year or in the 2014 financial year. Refer to the table in section 8.1. On average 100% of the award opportunity available (i.e. of the maximum opportunity) was paid based on the achievement of specific project related targets. This level of award was considered appropriate under the STI scheme that was in place during 2013, since the objectives were set and those objectives were met. The objectives that were linked to the payment of STI included:

STI objectives for the year ended 30 June 2013

Name	Objective	Contribution to success	Measurement	Percentage of opportunity paid
Simon Cooper COO	On budget delivery of M1 Melbourne and C1 Canberra data centre buildings. On time delivery of critical customer specific projects	Expansion of network of operating data centres. Meeting key customer contractual commitments.	Projects completed on time and on budget.	100%
Paul Gampe CTO	Implementation of security remediation plan.	Protection of critical infrastructure. Compliance with key customer contractual requirements.	Successful implementation of security plan. Achievement of standard certification.	100%
Tanya Mangold CLO	Capital recycling program to establish Asia Pacific Data Centre Group and the associated sale and leaseback transaction.	Successful transaction leading to approximately $140 million in additional capital.	Successful completion of transaction.	100%
Annabel Sammut Head of People and Culture	Staff retention and recruitment of key positions. Development of HR systems and procedures	Key personnel required to meet company objectives either retained or recruited	Growth in staff numbers and retention of key personnel required to meet company objectives	100%

These objectives were selected because they were the most significant matters expected to contribute to the success of the Company. The Board determined whether or not the conditions had been satisfied in the case of each objective because at the time the determination was intended to have a discretionary component.

The STI plan that has been put in place for the 2015 financial year will create improved links between performance and reward as outlined elsewhere in this report.

During the 2014 financial year, Chief Technology Officer, Mr Paul Gampe, was granted LTI in the form of Loan Funded Share Plan for the achievement of a specific strategic objective relating to the development, implementation and operation of a Security Risk and Remediation Strategic plan.

Previous grants of LTI that vested did not vest on the basis of performance, but rather on the basis of service (continued employment). However since the previous grants were in the nature of options (a loan plan) the benefit available from the vested securities is dependent on the share price at the time of vesting. As at the time of the writing this report, none of the options/shares that vested has exercise prices (loans) below the acquisition price under the plan and therefore had no realisable value (though they do have accounting value due to the time remaining in which they may be exercised).

The reason the vesting of previously granted LTI is not linked to performance is that the value that may be realised is dependent on the share price, which was at the time of granting considered a sufficient performance condition for a start-up business that was largely focused on multi-year construction and development of long run infrastructure assets. As discussed elsewhere this has since been revised and the new plan reflects the operational nature of the business today.

The LTI plan that is proposed to be applicable from 1 July 2014 (pending shareholder approval) will create clear and strong links between performance and the reward that may be realised since vesting will occur based on performance against a scale of objectives, and the instrument will be Rights with a zero exercise price.

8. Remuneration records for FY14

8.1 Senior Executive Remuneration

The following table outlines the remuneration received or due to be received by Senior Executives of the Company during the 2014 and 2013 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 reflect actual payments received during the year.

A portion of the short term incentives achieved during 2014 related to achievements during either 2013 or 2014 and were paid during 2014. The balance is expected to be paid during 2015.

		Basic Package					STI		LTI			
Name	Year	Salary	Superannuation Contributions	Other Benefits	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Total Remuneration Package (TRP)	Termination Benefits
Craig Scroggie[1] CEO	2014	1,175,000	25,000	-	1,200,000	68%	200,000	12%	354,958	20%	1,754,958	-
	2013	1,175,000	25,000	-	1,200,000	79%	-	-	325,126	21%	1,525,126	-
Simon Cooper[2] COO	2014	398,502	17,775	14,469	430,746	78%	75,000	13%	48,669	9%	554,415	-
	2013	350,607	16,470	-	367,077	75%	50,000	10%	75,767	15%	492,844	-
Paul Gampe[3] CTO	2014	361,786	17,775	-	379,561	68%	100,000	18%	76,635	14%	556,196	-
	2013	128,587	8,842	-	137,429	84%	25,000	16%	451	0%	162,880	-
Paul Jobbins[4] CFO	2014	255,350	17,775	-	273,125	70%	100,000	26%	17,064	4%	390,189	-
	2013	179,167	16,125	-	195,292	91%	-	-	18,819	9%	214,111	-
Adam Scully[5] Executive General Manager – Sales and Marketing	2014	130,605	12,080	-	142,685	75%	21,462	11%	26,796	14%	190,943	-
	2013	-	-	-	-	-	-	-	-	-	-	-
Tanya Mangold[6] Chief Legal Officer / Company Secretary	2014	183,486	16,972	-	200,458	89%	25,000	11%	-	-	225,458	-
	2013	131,498	11,835		143,333	93%	10,000	7%	-	-	153,333	-
Annabel Sammut[7] Head of People and Culture	2014	135,000	14,181	-	149,181	84%	28,307	16%	-	-	177,488	-
	2013	133,689	12,032	-	145,721	100%	-	-	-	-	145,721	-
Robin Khuda Resigned 28/06/2013	2014	-	-	-	-	-	-	-	-	-	-	-
	2013	304,336	16,470	-	320,806	63%	34,789	7%	156,830	30%	512,425	311,029
Bevan Slattery Executive from 01/07/2012 to 15/10/2012	2014	-	-	-	-	-	-	-	-	-	-	-
	2013	92,172	6,881	-	99,053	100%	-	-	-	-	99,053	-

8.2 Non-executive Director Remuneration

Non-executive director fees are managed within the current annual fees limit of $750,000 which was approved by shareholders at the October 2013 AGM.

The rates of fees including superannuation contributions to be paid from 1 July 2014 are:

	From 1 July 2014	1 July 2012 to 30 June 2014
	Per annum	Per annum
Board Chair	$180,000	$70,000 to $90,000
Non-executive Directors	$90,000	$60,000 to $65,000
Committee Chair	$10,000	-

These fees are consistent with the Company's policy of fees being pitched at the middle (P50) of the market. Previously, non-executive directors, including the Chairman, received options which are no longer part of non-executive director remuneration arrangements.

1. The STI achieved by Mr Craig Scroggie during 2014 related to performance during 2014 and is expected to be paid during 2015.
2. The STI achieved by Mr Simon Cooper during 2014 related to performance during 2014 and is expected to be paid during 2015.
3. Mr Paul Gampe commenced 4 February 2013, consequently his remuneration package for the 2013 financial year was only part-year. $25,000 of the STI achieved during 2014 related to specific project related targets in relation to the implementation of the Security Remediation Plan and was paid during 2014. $75,000 related to performance during 2014 and is expected to be paid during 2015.
4. Mr Paul Jobbins commenced on 15 October 2012, consequently remuneration package for the 2013 financial year was only part-year. $50,000 of the STI achieved during 2014 related to specific project related targets in relation to new equity funding and bank facility arrangements and was paid during 2014. $50,000 related to performance during 2014 and is expected to be paid during 2015.
5. Mr Adam Scully became a member of the executive team on 1 January 2014. Remuneration is shown for the period he was a Senior Executive. The STI achieved during 2014 related to performance during 2014. $6,984 of the STI achieved was paid during 2014 with the balance paid during 2015.
6. Ms Tanya Mangold commenced on 15 October 2012, consequently remuneration package for the 2013 financial year was only part-year. The STI achieved during 2014 related to performance during 2014 and is expected to be paid during 2015.
7. The STI achieved by Ms Annabel Sammut during 2014 included $18,307 which related to performance during 2013. $10,000 of the STI achieved related to performance during 2014 and is expected to be paid during 2015.

Remuneration received by non-executive directors in FY14 and FY13 is disclosed below.

Name	Role(s)	Year	Board Fees	Superannuation	Securities	Total
			$	$	$	$
Douglas Flynn	Mr Flynn has been a director since 27 September 2013 and was appointed as Board Chairman on 30 April 2014.	2014	62,736	5,803	-	**68,539**
		2013	-	-	-	-
Gregory Clark	Dr Clark was appointed as a Non-executive Director and Chairman of the Remuneration and Nomination Committee on 30 April 2014	2014	14,047	1,299	-	**15,346**
Stuart Davis	Mr Davis has been a Non-executive Director since 27 September 2013 and was appointed Chairman of the Audit and Risk Management Committee in February 2014.	2014	62,736	5,803	-	**68,539**
		2013	-	-	-	**-**
Ted Pretty	Mr Pretty held the position of Board Chairman from 30 August 2013 to 30 April 2014.He was Chairman of Audit and Risk Management Committee until September 2013.	2014	62,736	5,803	-	**68,539**
		2013	55,046	4,954	44,412	**104,412**
Roger Clarke	Mr Clarke was Chairman of the Board until September 2013. He resigned from the Board effective 30 April 2014.	2014	62,736	5,803	-	**68,539**
		2013	64,220	5,780	-	**70,000**
Greg Baynton	Mr Baynton was a Non-Executive Director until 30 April 2014. He was Chairman of Remuneration and Nomination Committee. He was Chairman of the Audit and Risk Management Committee from September 2013 until February 2014.	2014	62,736	5,803	-	**68,539**
		2013	55,046	4,954	-	**60,000**
Bevan Slattery	Mr Slattery was founder and CEO of NEXTDC Limited. Mr Slattery remained an executive director until 15 October 2012. From 15 October 2012 until 30 October 2013 he was a Non-executive Director and Deputy Chairman.	2014	19,878	1,839	-	**21,716**
		2013	39,755	3,578	-	**43,333**
TOTAL		**2014**	**347,603**	**32,153**	**-**	**379,756**
		2013	**214,067**	**19,266**	**44,412**	**277,745**

8.3 Changes in Securities Held Due to Remuneration

		Date Granted	Opening Balance 1 July 2013		Granted During Year		Forfeited		Vested and Exercised		Closing Balance 30 June 2014	
Name	Instrument		Number	Value at Grant	Number	Value	Number	Value	Number	Value	Number	Value
Craig Scroggie CEO	Loan Shares	20/12/12	1,768,093	4,000,000	-	-	-	-	-	-	1,768,093	4,000,000
Simon Cooper COO	Loan Shares	31/10/11	571,428	999,999	-	-	-	-	-	-	571,428	999,999
Paul Gampe CTO	Loan Shares	27/06/13	100,000	225,000	-	-	-	-	-	-	100,000	225,000
	Loan Shares	17/07/13	-	-	100,000	264,000	-	-	-	-	100,000	264,000
Paul Jobbins CFO	Loan Shares	15/10/12	100,000	225,000	-	-	-	-	-	-	100,000	225,000
Adam Scully Executive General Manager – Sales and Marketing	Loan Shares	06/06/13	100,000	225,000	-	-	-	-	-	-	100,000	225,000
Tanya Mangold Chief Legal Officer / Company Secretary	Loan Shares	-	-	-	-	-	-	-	-	-	-	-
Annabel Sammut Head of People and Culture	Loan Shares	-	-	-	-	-	-	-	-	-	-	-

Loan funded share plan

As part of its long-term incentives, NEXTDC Limited has previously offered a NEXTDC Loan Funded Share Plan (Share Plan) in order to:

i. retain key executives over the long term;
ii. provide an incentive and benefit to participants in the Share Plan in a tax effective manner to encourage dedicated and ongoing commitment to the Group; and
iii. better align the interests of the participants in the Share Plan with the interests of Shareholders and sharing in the long term growth of the Group.

While no further grants will be made under this plan, previous grants under the plan must be allowed to run out and therefore this plan will be grandfathered. The Share Plan operates by way of NEXTDC Limited issuing shares to NEXTDC Share Plan Pty Ltd (the Trustee), a wholly-owned subsidiary of NEXTDC Limited, where shares are beneficially held for participants. Under the Share Plan, ordinary shares are issued to participants with the purchase price lent to the employee under a limited recourse loan. The loan is interest free and is provided for a maximum term of 5 years. The terms of the Share Plan are such that participants receive an upfront entitlement to a certain number of shares with shares being transferred to the participant in four annual tranches after the participant has repaid the respective loan balance in full. The vesting of these shares is not dependent on performance conditions, only service conditions, and this is one of the reasons that it will no longer be used to make grants.

The following table details shares that have been provided to key management personnel through Share Plan:

Name	Issue Date	Number of Loan Funded Shares Allocated	Number of Loan Funded Shares Vested	Average Issue Price	Average Fair Value	Total Amount of Loan	Expiry Date
				($)	($)	($)	
DIRECTORS							
Mr Craig Scroggie	20 Dec 2012	1,768,093	534,759	2.26	0.46	4,000,000	19 Dec 2017
Mr Roger Clarke	-	-	-	-	-	-	-
Mr Ted Pretty	-	-	-	-	-	-	-
Mr Greg Baynton	-	-	-	-	-	-	-
Mr Douglas Flynn	-	-	-	-	-	-	-
Mr Stuart Davis	-	-	-	-	-	-	-
Dr Gregory J Clark	-	-	-	-	-	-	-
OTHER KEY MANAGEMENT PERSONNEL							
Mr Simon Cooper	31 Oct 2011	571,428	285,714	1.75	0.39	999,999	31 Oct 2016
Mr Paul Gampe	27 Jun 2013	100,000	25,000	2.25	0.77	225,000	27 Jun 2018
	17 Jul 2013	100,000	-	2.64	0.69	264,000	17 Jul 2018
Mr Paul Jobbins	15 Oct 2012	100,000	25,000	2.25	0.49	225,000	15 Oct 2017
Mr Adam Scully	6 June 2013	100,000	25,000	2.25	0.52	225,000	6 Jun 2018
Ms Tanya Mangold	-	-	-	-	-	-	-
Ms Annabel Sammut	-	-	-	-	-	-	-
TOTAL		**2,739,521**	**895,473**	**-**	**-**	**5,674,999**	

The number of shares in the loan funded share plan issued to key management personnel and outstanding at the end of the year was 2,739,521 (2013: 2,539,521).

On each anniversary of the issue date, the participant of the Share Plan may repay one-quarter of the loan and request the Trustee to transfer these respective shares to the participant. Alternatively, the holder may direct the trustee to sell one quarter of the shares on market. The loan agreement for Mr Craig Scroggie is also divided into four (annual) tranches which are based on share prices of $1.87, $2.00, $2.50 and $3.00. The total value of each tranche is $1,000,000. On each anniversary of a participant's issue, the shares vest and the loan becomes payable. For all participants, the proceeds on sale will first be applied to the outstanding loan amount of those shares. Where there is a surplus after that sale, the surplus proceeds will be paid to the participant.

The weighted average fair value of the shares has been calculated by using the Binomial Option pricing method.

9. External remuneration consultant advice

During the year KMP remuneration recommendations and data were received from external remuneration consultant(s). The consultants and the amount payable for the information and work that led to their recommendations are listed below:

Godfrey Remuneration Group Pty Limited	Review of market competitiveness of remuneration for non-executive directors and executive key management personnel.	$26,000 + GST

The consultant(s) also provided other advice during the year and the kinds of advice and remuneration payable for such advice is summarised below:

Godfrey Remuneration Group Pty Limited	Review of short and long term incentive plans, documentation of KMP remuneration policies, procedures, rules etc. and assistance with drafting the Remuneration Report	$50,000 + GST

To ensure that KMP remuneration recommendations were free from undue influence from the KMP to whom they relate the Company established policies and procedures governing engagements with external remuneration consultants. The key aspects include:

i. KMP remuneration recommendations may only be received from consultants who have been approved by the Board. This is a legal requirement. Before such approval is given and before each engagement the Board ensures that that the consultant is independent of KMP.
ii. As required by law, KMP remuneration recommendations are only received by non-executive directors, mainly the Chair of the Remuneration Committee.
iii. The policy seeks to ensure that the Board controls any engagement by management of Board approved remuneration consultants to provide advice other than KMP remuneration recommendations and any interactions between management and external remuneration consultants when undertaking work leading to KMP remuneration recommendations.

The Board is satisfied that the KMP remuneration recommendations received were free from undue influence from KMP to whom the recommendations related. The reasons the Board is satisfied includes that it is confident that the policy for engaging external remuneration consultants is being adhered to and is operating as intended, the Board has been closely involved in all dealings with the external remuneration consultants and each KMP remuneration recommendation received during the year was accompanied by a legal declaration from the consultant to the effect that their advice was provided free from undue influence from the KMP to whom the recommendations related.

	Number of shares granted during the financial year	Value of shares at grant date [1]	Number of shares vested during the period	Number of shares lapsed during the period	Value at lapse date [2]
2014					
DIRECTORS					
Mr Craig Scroggie	-	-	534,759	-	N/A
Mr Roger Clarke	-	-	-	-	N/A
Mr Ted Pretty	-	-	-	-	N/A
Mr Greg Baynton	-	-	-	-	N/A
Mr Douglas Flynn	-	-	-	-	N/A
Mr Stuart Davis	-	-	-	-	N/A
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP					
Mr Simon Cooper	-	-	142,857	-	N/A
Mr Paul Gampe	100,000	$69,000	25,000	-	N/A
Mr Paul Jobbins	-	-	25,000	-	N/A
Mr Adam Scully	-	-	25,000	-	N/A
Ms Tanya Mangold	-	-	-	-	N/A
Ms Annabel Sammut	-	-	-	-	N/A
2013					
DIRECTORS					
Mr Roger Clarke	-	-	-		N/A
Mr Ted Pretty	-	-	250,000	-	N/A
Mr Greg Baynton	-	-	-	-	N/A
Mr Craig Scroggie	1,768,093	$820,520	250,000		N/A
Mr Douglas Flynn	-	-	-	-	N/A
Mr Stuart Davis	-	-	-	-	N/A
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP					
Mr Simon Cooper [3]	-	-	142,857	-	N/A
Mr Paul Gampe [3]	100,000	$76,778	-	-	N/A
Mr Paul Jobbins [3]	100,000	$49,441	-	-	N/A
Ms Tanya Mangold	-	-	-	-	N/A
Ms Annabel Sammut	-	-	-	-	N/A

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using either a BlackScholes or Binomial option pricing model that takes 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 riskfree interest rate for the term of the option.

1. The value at grant date (calculated in accordance with AASB 2 Share based Payments) of entitlements granted during the period as part of remuneration.
2. The value at lapse date of entitlements (calculated in accordance with AASB 2 Share-based Payments) that were granted as part of remuneration and that lapsed during the period because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied. No entitlements lapsed during the period.
3. Employees were participants of the Loan Funded Share Plan ("LFSP")

Shares provided on exercise of remuneration options

The following ordinary shares of NEXTDC Limited were issued during the year ended 30 June 2014 on the exercise of options granted under the NEXTDC Executive Share Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Name	Date options granted	Number of shares issued	Exercise price of options
Ted Pretty	27 April 2011	250,000	$1.40

Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Name	Date options granted	Expiry date	Number under option	Exercise price of options
Craig Scroggie	31 October 2011	27 April 2015	250,000	$1.40

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Loans to directors and executives

Excluding loans provided under the loan funded share plan, there were no loans to directors or other key management personnel at any time during the year.

Non-audit services

The Group may decide to employ the auditor (PricewaterhouseCoopers) on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. Details of the amounts paid or payable to the auditor for non-audit services provided during the period are set out below.

The board of directors has considered the position and, in accordance with advice received from 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, as set out below, 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
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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

PwC Australia	2014	2013
	$	$
i. TAXATION SERVICES		
Tax compliance services	65,300	43,850
ii. OTHER SERVICES		
Accounting and taxation services relating to the establishment and disposal of the APDC Group	-	547,664
Agreed-upon procedures engagement	-	3,200
Review of financial model and business continuity plans as required for the Company's initial banking facility*	50,000	1,000
Total Remuneration of PwC Australia for Non-Audit Services	**115,300**	**595,714**

*The Board notes that as a term of the Company's initial banking facility, the Company was required by the bank to engage the Company's auditor to review the Company's financial model and its business continuity plans and procedures.

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 57.

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

Executive Director and Chief Executive Officer

25 August 2014

Auditor's Independence Declaration

As lead auditor for the audit of NEXTDC Limited for the year ended 30 June 2014, 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
25 August 2014

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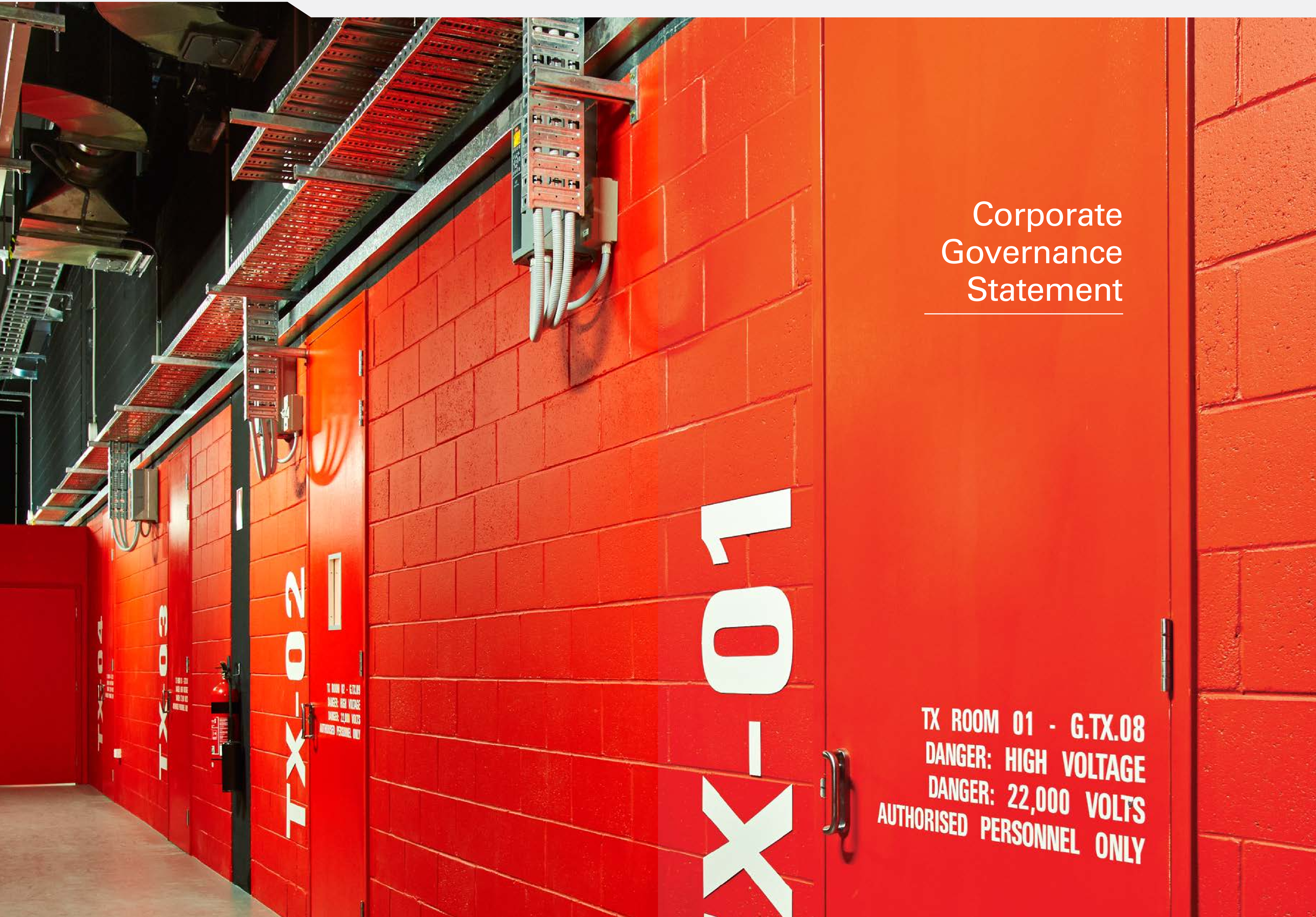
Corporate Governance Statement



Corporate Governance Statement

Overview

Corporate Governance is an important matter to NEXTDC and the Board of Directors ("the Board"). The Board endorses the 2nd edition of the Australian Securities Exchange ("ASX") Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments ("ASX Principles") originally issued by the ASX Corporate Governance Council in August 2007.

Corporate Governance Principles - Summary

Principle	Complied	Note
Principle 1 – Lay solid foundations for management and oversight		
i. Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	✓	"Board Charter" available on NEXTDC's website.
ii. Companies should disclose the process for evaluating the performance of senior executives.	✓	Senior executives are subject to performance reviews and follow a formal review process which includes performance goal setting
iii. Companies should provide the information indicated in the Guide to reporting on Principle 1.	✓	Refer to the summary following this table.
Principle 2 – Structure the board to add value		
i. A majority of the board should be independent directors.	✓	Four of the five board members are independent. Refer to the summary following this table for details of changes during the year.
ii. The chair should be an independent director.	✓	Mr Douglas Flynn was appointed Chairman in April 2014 and is independent. Mr Ted Pretty was Chairman from September 2013 to April 2014 and was considered an independent director. Prior to that Roger Clarke was Chairman. Refer to table following this summary.
iii. The roles of chair and chief executive officer should not be exercised by the same individual.	✓	The role of Chair during the year was exercised by Mr Douglas Flynn (from April 2014), Mr Ted Pretty (from September 2013 to April 2014) and Mr Roger Clarke prior to Mr Pretty, Mr Craig Scroggie was CEO for the entire period.
iv. The board should establish a nomination committee.	✓	The board has established a Remuneration and Nominations Committee
v. Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	✓	The responsibilities of the Remuneration and Nomination Committee are set out in its Charter and include ensuring the performance of senior executives and members of the Board are reviewed at least annually.
vi. Companies should provide the information indicated in the Guide to reporting on Principle 2.	✓	Refer to summary following this table

Principle	Complied	Note
Principle 3 – Promote ethical and responsible decision-making		
i. Companies should establish a code of conduct and disclose the code or a summary of the code as to: – the practices necessary to maintain confidence in the company's integrity – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✓	The Board has adopted a Code of Conduct which is available at the Company's website.
ii. The entity has established a policy concerning diversity and disclosed the policy or a summary of that policy. The policy includes requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	✓	The Company has established a diversity policy and implemented measurable objectives that will be assessed at least annually Refer to summary following this table.
iii. The entity has disclosed in its annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	✓	Refer to summary following this table
iv. The entity has disclosed in its annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	✓	This has been disclosed.
v. Companies should provide the information indicated in the Guide to reporting on Principle 3	✓	The diversity policy is disclosed on the Company's website
Principle 4 – Safeguard integrity in financial reporting		
i. The board should establish an audit committee	✓	An Audit and Risk Management Committee has been established.
ii. The audit committee should be structured so that it: – consists only of non-executive directors – consists of a majority of independent directors – is chaired by an independent chair, who is not chair of the board – have at least three members.	✓	The Audit and Risk Management Committee satisfies all of these criteria: – It consists only non-executive directors – It consists a majority of independent directors – It is chaired by Mr Stuart Davis (from February 2014) having taken over from Mr Gregory Baynton (September 2013 to February 2014). Prior to that the committee was chaired by Mr Ted Pretty. No chair of the committee was also chair of the Board.
iii. The audit committee should have a formal charter	✓	The Charter is available at the NEXTDC website
iv. Companies should provide the information indicated in the Guide to reporting on Principle 4.	✓	Information in relation to Principle 4 has been disclosed at the NEXTDC website
Principle 5 – Make timely and balanced disclosure		
i. Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	✓	The Company has developed a Continuous Disclosure Policy which is available at the Company's website
ii. Companies should provide the information indicated in the Guide to reporting on Principle 5.	✓	Refer to the summary following this table.

Principle	Complied	Note
Principle 6 – Respect the rights of shareholders		
i. Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	✓	The Continuous Disclosure Policy has been designed to promote effective communication with shareholders. A copy of this policy is available at the Company's website. In addition, NEXTDC regularly updates its website including the NEXTDC blog (www.nextdc.com/blog). This blog is updated at least once a week and allows for public comment and feedback.
ii. Companies should provide the information indicated in the Guide to reporting on Principle 6.	✓	Refer to the summary following this table.
Principle 7 – Recognise and manage risk		
i. Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✓	The board has established an Audit and Risk Management Committee
ii. The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓	Management is responsible for ensuring risk management and internal control systems are designed appropriately for the Company and implemented accordingly. Management provide regular reports to the Board regarding the effectiveness of those risk management and internal control systems.
iii. The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓	The board has received assurance from the CEO and CFO in full regarding the declaration provided in accordance with s295A of the Corporations Act.
iv. Companies should provide the information indicated in the Guide to reporting on Principle 7.	✓	Refer to the summary following this table.
Principle 8- Remunerate fairly and responsibly		
i. The board should establish a remuneration committee.	✓	The board has established a Remuneration and Nominations Committee.
ii. The remuneration committee is structured so that it: – Consists of a majority of independent directors – Is chaired by an independent director – Has at least three members	✓	The committee is chaired by Dr Gregory Clark (from April 2014) and prior to that was chaired by Mr Gregory Baynton. During the year the committee had 4 members, 3 being independent. In October 2013 Mr Slattery resigned and for the remainder of the period the committee had 3 independent directors
iii. Companies should provide the information indicated in the Guide to reporting on Principle 8.	✓	Refer to the summary following this table.

NEXTDC Limited (the company) and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire period.

Principle 1
Lay solid foundations for management and oversight

Responsibility for the Company's proper corporate governance rests with the Board. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of NEXTDC's shareholders (with a view to building sustainable value for them) and those of employees and other stakeholders.

The Board's broad function is to:

- chart strategy and set financial targets for the Company
- identify principal risks of the Company's business
- monitor the implementation and execution of strategy
- and performance against financial and non-financial targets
- appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:

- composition of the Board itself including the appointment and removal of Directors
- oversight of the Company including its control and accountability system
- appointment and removal of senior management including the Chief Executive Officer, Chief Financial Officer and Company Secretary
- reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliances
- monitoring senior management's performance and implementation of strategy
- approving and monitoring financial and other reporting and the operation of committees.

All senior executives are subject to a formal evaluation process that includes a formal review of their performance during the year, including achievement of milestones, setting of key performance indicators and personal development plans. Please see the Remuneration Report for a detailed review. Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the CEO.

Principle 2
Structure the board to add value

The Board operates in accordance with the broad principles set out in its charter which is available from the corporate governance information section of the Company's website at www.nextdc.com. The charter details the Board's composition and responsibilities.

As the Company matures the Board has considered its composition. In September 2013 the Board appointed two new non-executive independent directors. Additionally, in April 2014, the Board appointed Dr Gregory Clark, an independent non-executive director.

The Board has appointed a new Chairman, Mr Douglas Flynn, who took over from Mr Ted Pretty with effect from April 2014. Mr Ted Pretty was appointed at the beginning of September 2013, Mr Roger Clarke having previously occupied the role. In deciding to appoint three new non-executive independent directors, the Board carefully considered the mix of skills and experience on the Board. Roger Clarke was not considered independent due to his relationship with Morgans Financial Limited (refer p108). For the majority of the year the Chairman was independent.

The Board considers that its revised composition is well suited leading the Company into the next phase of its development. The Board, in deciding on the appointment of the three new directors, utilised a third party specialist in board recruitment. In deciding upon the change of chairmanship and directors it sought to attract new directors whose skills and experience are suited to the Company's needs in the short to medium term. The Company, in searching for new directors was cognisant of the need for diversity at the board level and specifically sought suitably qualified female candidates. Unfortunately, of those female candidates short listed, none was available to commence a position as a director.

The Board changes optimised the non-executive / executive ratio and independence mix and introduced new skills and experience to the board in accordance with the principles set out above. Specifically, the Company has appointed directors with expertise in financing, remuneration, technology and management.

The Company will reconsider its board composition from time to time as a matter of good governance but considers that its revised composition, including size and skills, contributes to an efficient and balanced Board.

Board composition

The charter states:

1. The Board of Directors shall comprise of no less than three and no more than ten directors at any one point in time. The Company and the Board will endeavour to have a majority of independent directors and an independent chairman.
2. Directors will be elected for a maximum three year term.
3. If no director would otherwise be required to retire but the Listing Rules require that an election of directors be held at an annual general meeting, the director to retire at that meeting is
   a. the director who has held office as director the longest period of time since their last election or appointment to that office; or
   b. if two or more directors have held office for the same period of time, the director determined by lot, unless those directors agree otherwise.

The Board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Company and directors with an external or fresh perspective; and
- the size of the Board is conducive to effective discussion and efficient decision-making.

Mr Slattery, resigned from an executive directorship position with effect from 15 October 2012 and as a director with effect from the Company's 2013 AGM.

Directors' independence

The Board has adopted specific principles in relation to directors' independence. An independent director is a non-executive director (i.e. is not a member of management) and:

i. is not a substantial shareholder of the Company (i.e. is not a person who in conjunction with an associate holds a relevant interest in 5% or more of the shares of the Company) or an officer of, or otherwise associated directly with, a substantial shareholder of the Company; or

ii. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment; or

iii. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided. A material professional adviser is the Company's auditor (regardless of the fees paid to the auditor) and any other advisor to whom fees in excess of $100,000 have been paid in any financial year in the relevant three year period; or

iv. has no material contractual relationship with the Company or another group member other than as a director of the Company, including as a supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.

v. From a director's perspective, a director has a material contractual relationship if the fees paid by the Company to the director or an entity associated with the director, exceed 5% of the fees received by the director or their firm or 10% of all fees supervised by the director (or for which the director is otherwise given credit in a performance review) within the entity associated with the director in any financial year in the relevant three year period.

vi. From the Company's perspective, a director has a material contractual relationship if goods or services supplied by the director to the Company exceed 5% of the direct operating costs of the Company for any year in the relevant three year period; or

vii. has not served on the Board for a period in excess of ten years; or

viii. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

However, a director may be considered independent notwithstanding that he or she does not meet one of the criteria set out above, subject to appropriate explanation by the Board.

The Board assesses independence each year. To enable this process, the directors must provide all information that may be relevant to the assessment.

Board members

Details of the members of the Board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the directors' report under the heading ''Information on Directors''. At the date of signing the director's report, there was one executive director and four non-executive directors on the Board. All of the four non-executive directors are considered independent.

Non-executive directors

The non-executive directors regularly met during the year to discuss the operation of the Board and a range of other matters. Relevant matters arising from these meetings were shared with the full Board.

Chair and chief executive officer (CEO)

The Chair is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior executives. In accepting the position, the Chair has acknowledged that it will require a significant time commitment and has confirmed that other positions will not hinder his effective performance in the role of Chair.

The CEO is responsible for implementing strategies and policies. The Board charter specifies that these are separate roles to be undertaken by separate people.

Induction

The induction provided to new directors and senior managers enables them to actively participate in Board decision-making as soon as possible. It ensures that they have a full understanding of the Company's financial position, operations, strategies, culture, values and risk management policies. It also explains the respective rights, duties, responsibilities, interaction and roles of the Board and senior executives and the Company's meeting arrangements.

Commitment

The Board held nineteen Board meetings during the year.

The number of meetings of the Company's Board of directors and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director is disclosed on page 20.

It is the Company's practice to allow its executive directors to accept appointments outside the Company with prior written approval of the Board. No appointments of this nature were accepted during the year ended 30 June 2014.

The commitments of non-executive directors are considered by the nomination committee prior to the directors' appointment to the Board of the Company and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Conflict of interests

Directors are required to keep the Board advised, on an ongoing basis, of any potential or actual conflicts of interest. Furthermore, the Board has adopted a specific policy for dealing with conflicts of interest relating to cross-directorships, in addition to already existing policies and Corporations Act requirements in terms of which conflicts of interest are managed. Information relating to related party transactions is disclosed in note 29 of the financial statements.

Independent professional advice

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chair is required, but this will not be unreasonably withheld.

Performance assessment

The Board has resolved to undergo a formal assessment of its performance in FY15 using external consultants and that going forward a formal externally facilitated review will occur every two years and an internally facilitated review in the interim periods. Given the recent and wide ranging changes to the board composition that took place during the year, the Board considered that any formal review during the year would be premature. However, in selecting the new directors the Board undertook an informal review of its performance and considered the outcomes of that review in appointing new directors.

Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the Audit and Risk Management Committee and the Remuneration and Nomination Committee. Each is comprised entirely of non-executive directors and a majority of independent directors. The committee structure and membership is reviewed on an annual basis.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the Company's websitve. All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

Minutes of committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

Principle 3
Promote ethical and responsible decision making

Code of conduct

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders.

In summary, the Code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The purchase and sale of Company securities by directors and employees is regulated by the Company's Security Trading Policy which was recently revised. Further details on this can be found in the Remuneration Report. Any transactions undertaken must be notified to the Company Secretary or Chairman in advance.

The Code and the Company's trading policy are discussed with each new employee as part of their induction training.

The directors are satisfied that the Company has complied with its policies on ethical standards, including trading in securities.

A copy of the Code and the trading policy are available on the Company's website.

Diversity

The Company realises the benefits that can arise to the organisation from diversity in the workplace covering gender, age, ethnicity and cultural background and in various other areas. During 2013 the Company implemented a Diversity Policy which complies with the requirements of Recommendations 3.2 and 3.3 and sets measurable objectives.

Management report against diversity measures including gender and cultural origins regularly as well as against any employee programs, including diversity related programs employed.

The Board adopted measurable objectives in FY13 for FY14 and progress against these continued in 2014. The measurable objectives included flexible work arrangements, a parental leave program, goals for female representation, conduct of a gender pay audit and a company wide diversity forum consisting of senior executives and subject matter experts.

The Company targeted an improvement in the overall diversity ratio (which was 71:29 at 30 June 2014). The Company ensures that in recruitment processes, shortlists contain female representation.

All employees, including new employees are required to undergo formal anti-discrimination training, which covers various forms of discrimination, including, sexual orientation, gender and cultural diversity.

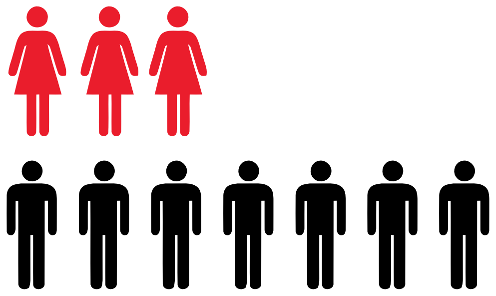
A gender pay audit, which was a measurable objective for FY14, was conducted during the period and the results of this presented to the Board. This was the first year that Company was required to report to the Workplace Gender Equality Agency; The WGEA can be found on the Company's website at http://www.nextdc.com/sites/default/files/reports/WGEA%20report.pdf. During FY15, the Company aims to take a further detailed review of the reasons underlying the gender pay gap and if required, develop appropriate strategies to address any imbalances.

The Company operates a return to work program and this has a 100% success rate. Furthermore, the Company's flexible work arrangement program continues to be promoted internally and use of the program has increased.

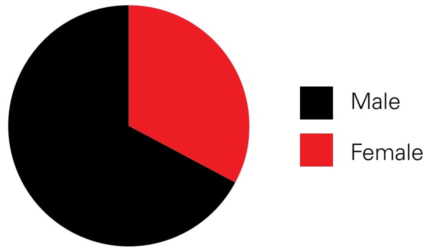
As discussed under section Principle 2 above, diversity was a specific consideration in board selection.

The Company does not discriminate on gender grounds for remuneration or appointments. All remuneration reviews and promotions are determined solely on merit. the Company recruits the most qualified person for any particular role and attempts where possible to consider candidates from a diverse pool of appropriately qualified applicants.

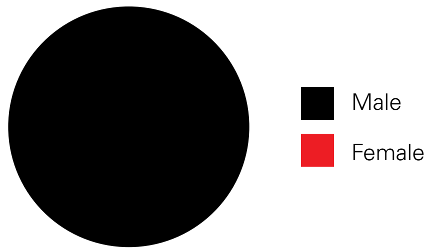
Proportion of Women Employees in Whole Organisation



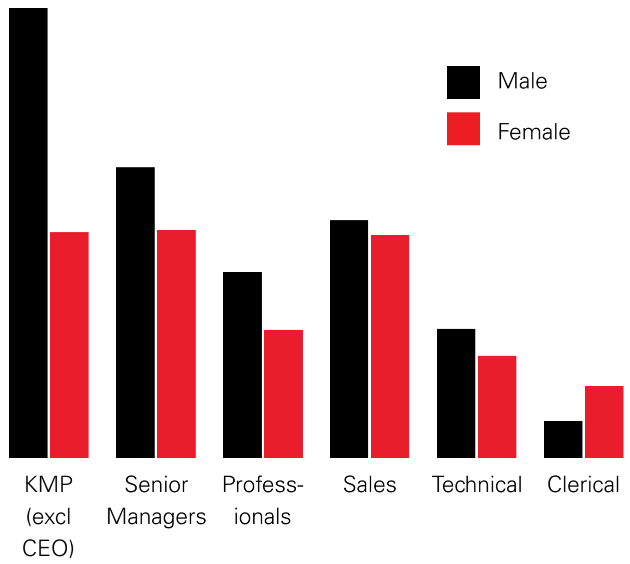
Proportion of Women Employees in Senior Executive Positions



Proportion of Women Employees on the Board



Ratio of the basic salary and remuneration of women to men for each employee category.



Principle 4
Safeguard integrity in financial reporting

Audit and Risk Management Committee

The Audit and Risk Management Committee consisted of the following directors during the year:

- Mr Stuart Davis (Chair from 21 February 2014)
- Mr Douglas Flynn (appointed 30 April 2014)
- Mr Ted Pretty (Chair until end August 2013)
- Mr Roger Clarke (until 30 April 2014)
- Mr Greg Baynton (Chair from September 2013 to 21 February 2014)

Details of these directors' qualifications and attendance at audit committee meetings are set out in the directors' report.

All members of the Audit and Risk Management Committee are financially literate and have an appropriate understanding of the industry in which the Company operates.

The committee operates in accordance with a charter which is available on the Company's website. The main responsibilities of the committee are to:

- review, assess and approve annual full and concise reports, half year financial statements and all other financial information published by the Company or released to the market
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance
- consider the independence and competence of the external auditor on an ongoing basis
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence
- review and monitor related party transactions and assess their propriety
- report to the Board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit and risk management committee:

- receives regular reports from management and the external auditors
- meets with the external auditors at least once a year, or more frequently if necessary
- reviews the processes the CEO and CFO have in place to support their certifications to the Board
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved
- provides the external auditors with a clear line of direct communication at any time to either the Chair of the committee or the Chair of the Board.

The committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The Company and Audit and Risk Management Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PwC was appointed as the external auditor in November 2010. It is PwC's policy to rotate audit engagement partners on listed companies at least every five years. PwC rotated its audit engagement partner in 2013.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report and in note 27 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

The Company does not have a full internal audit function given the stage of its size and development. The committee will continue to consider on a regular basis whether an internal audit function is required by the Company.

The Committee reviews the effectiveness of its risk management and internal control processes at least annually.

Principles 5 and 6
Make timely and balanced disclosures and respect the rights of shareholders

Continuous disclosure and shareholder communication

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the Company's website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website on the Investor Centre landing page as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

The Company also regularly updates the blog on its website (www.nextdc.com/blog) which details the latest developments and provides information regarding its data centres.

All shareholders receive a copy of the Company's annual report. In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means. Initiatives to facilitate this include making all Company announcements, media briefings, details of Company meetings, press releases and financial statements available on the Company's website. Shareholders may contact the Company directly, and a specific email address investorrelations@nextdc.com ensures that email queries are delivered directly to an appropriate authorised spokesperson. This email address appears on all ASX announcements and on the Company website under the "Investor Centre" tab.

The Company promotes online voting for shareholder meetings and provides all shareholders with an opportunity to receive electronic communications via the registry.

Where possible, the Company arranges for advance notification of significant group briefings (including, but not limited to, results announcements) and makes them widely accessible.

Principle 7
Recognise and manage risk

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the Audit and Risk Management Committee and reviewed by the full Board.

The Audit and Risk Management Committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. They monitor the Company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks.

In providing this oversight, the committee:

- reviews the framework and methodology for risk identification, the degree of risk the Company is willing to accept, the management of risk and the processes for auditing and evaluating the Company's risk management system
- reviews Company objectives in the context of the abovementioned categories of corporate risk
- reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the Company's exposure to risk
- reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis
- reviews compliance with agreed treasury policy.

The committee recommends any actions it deems appropriate to the Board for its consideration.

The Company does not have a full internal audit function given its size and stage of development. The committee will continue to consider, on a regular basis whether an internal audit function is required by the Company.

The Committee reviews the effectiveness of its risk management and internal control processes at least annually.

The Company's exposure to economic, environmental and social sustainability risks and management thereof are set out on pages 12-13.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system and reports to the committee on the effectiveness of:

- the risk management and internal control system during the year, and
- the Company's management of its material business risks.

In complying with recommendation 7.3, the CEO and CFO have made the following certifications to the Board:

- that the Company's financial statements are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Principle 8
Remunerate fairly and responsibly

Remuneration and Nomination Committee

The Remuneration and Nomination Committee consisted of the following directors during the year:

- Dr Gregory Clark (Chair, appointed 30 April 2014)
- Mr Douglas Flynn (appointed 30 April 2014)
- Mr Ted Pretty
- Mr Greg Baynton (Chair, resigned 30 April 2014)
- Mr Roger Clarke (resigned 30 April 2014)
- Mr Bevan Slattery (resigned 30 October 2013)

Details of these directors' attendance at Remuneration and Nomination Committee meetings are set out in the Directors' Report.

The committee operates in accordance with its charter which is available on the Company's website. The charter was recently revised (see the Remuneration Report).

The committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

The main responsibilities of the committee are to:

- provide advice in relation to remuneration packages of senior executives, non-executive directors and executive directors, equity-based incentive plans and other employee benefit programs
- review the Company's recruitment, retention and termination policies
- review the Company's superannuation arrangements;
- review the succession plans of senior executives and executive directors
- recommend individuals for nomination as members of the Board and its committees
- ensure the performance of senior executives and members of the Board are reviewed at least annually
- consider those aspects of the Company's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval
- monitoring the size and composition of the Board.

New directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities, rights and the terms and conditions of their employment. All new directors participate in an induction program which covers the operation of the Board and its committees and financial, strategic, operations and risk management issues.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The contract refers to a specific formal job description which is reviewed by the committee on periodically and, where necessary, revised in consultation with the relevant employee.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading ''Remuneration Report''.

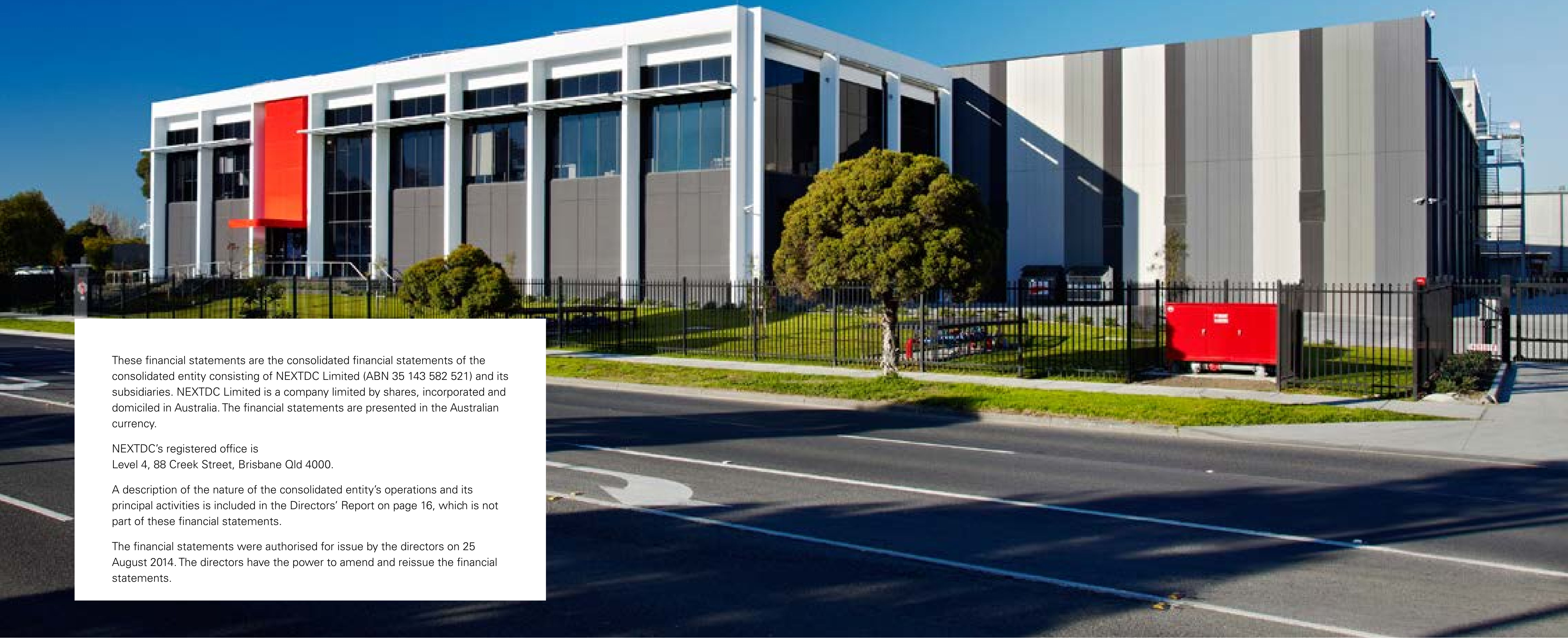
Post 30 June 2013, the directors engaged a third party remuneration consultant to review and make recommendations on the remuneration of directors and senior management. Further details on this can be found in the Remuneration Report.

The committee also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programs and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

The corporate governance statement of NEXTDC is current as at 25 August 2014 and was authorised for issue in accordance with a resolution of the Board of Directors.

Financial Report

30 June 2014



These financial statements are the consolidated financial statements of the consolidated entity consisting of NEXTDC Limited (ABN 35 143 582 521) and its subsidiaries. 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
Level 4, 88 Creek Street, Brisbane Qld 4000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on page 16, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 25 August 2014. The directors have the power to amend and reissue the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	30 June 2014	30 June 2013
		$'000	$'000
REVENUE FROM CONTINUING OPERATIONS			
Data centre services revenue	5	30,360	9,000
Data centre development revenue	5, 7	15,470	24,358
Other revenue	5	2,465	2,821
Total revenue		**48,295**	**36,179**
OTHER INCOME			
Other income	6	1,759	14,573
EXPENSES			
Direct costs		(3,907)	(1,669)
Data centre development costs	7	(10,611)	(18,198)
Employee benefits expense		(17,486)	(12,997)
Data centre facility costs	6	(16,973)	(8,918)
Depreciation and amortisation expense		(10,354)	(5,738)
Professional fees	6	(3,042)	(908)
Marketing costs		(1,013)	(857)
Office and administrative expenses		(5,399)	(4,285)
Finance costs	6	(1,164)	(669)
Loss before income tax		**(19,895)**	**(3,487)**
Income tax benefit / (expense)	8	(3,011)	1,267
Loss for the period after tax		**(22,906)**	**(2,220)**
LOSS IS ATTRIBUTABLE TO:			
Owners of NEXTDC Limited		(22,906)	(2,220)
OTHER COMPREHENSIVE INCOME			
Total comprehensive loss for the period		**(22,906)**	**(2,220)**
ATTRIBUTABLE TO:			
Owners of NEXTDC Limited		(22,906)	(2,220)
		Cents	Cents
LOSSES PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE GROUP:			
Basic losses per share	31	(11.82)	(1.29)
Diluted losses per share	31	(11.82)	(1.29)

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

Consolidated Balance Sheet

As at 30 June 2014

	Note	30 June 2014	30 June 2013
		$'000	$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	16,838	38,883
Term deposits	9	54,000	12,500
Trade and other receivables	10	6,168	14,667
Other assets	11	9,352	3,234
Assets held for sale	12	-	26,450
Total Current Assets		**86,358**	**95,734**
NON-CURRENT ASSETS			
Other receivables	10	-	770
Property, plant and equipment	13	207,770	127,117
Other assets	11	2,495	1,505
Intangible assets	15	658	74
Deferred tax assets	16	-	2,610
Total NonCurrent Assets		**210,923**	**132,076**
TOTAL ASSETS		**297,281**	**227,810**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	6,850	23,567
Other liabilities	18	93	16
Finance lease liability	19	245	231
Total Current Liabilities		**7,188**	**23,814**
NON-CURRENT LIABILITIES			
Other liabilities	18	145	133
Provisions	21	539	365
Interest-bearing borrowings	19	58,969	-
Finance lease liability	19	6,865	7,110
Total NonCurrent Liabilities		**66,518**	**7,608**
TOTAL LIABILITIES		**73,706**	**31,422**
NET ASSETS		**223,575**	**196,388**
EQUITY			
Contributed equity	22	258,630	209,771
Reserves	23	1,807	1,126
Accumulated losses	24	(36,862)	(14,509)
TOTAL EQUITY		**223,575**	**196,388**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Note	Contributed equity	Reserves	Accumulated losses	Total equity
		$'000	$'000	$'000	$'000
BALANCE AT 1 JULY 2012		**205,280**	**832**	**(12,289)**	**193,823**
Loss for the year	24	-	-	(2,220)	(2,220)
Total Comprehensive Loss		**-**	**-**	**(2,220)**	**(2,220)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Proceeds from repayment of loan funded shares		1,000	-	-	1,000
Transfers		541	(541)	-	-
Exercise of options	22(B)	2,950	-	-	2,950
Share-based payments		-	835	-	835
		4,491	294	-	4,785
BALANCE AT 30 JUNE 2013		**209,771**	**1,126**	**(14,509)**	**196,388**
BALANCE AT 1 JULY 2013		**209,771**	**1,126**	**(14,509)**	**196,388**
Loss for the year	24	-	-	(22,906)	(22,906)
Total Comprehensive Loss		**-**	**-**	**(22,906)**	**(22,906)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Contributions of equity, net of transaction costs and tax	22(B)	49,062	-	-	49,062
Exercise of options	22(B)	350	-	-	350
Share-based payments		-	681	-	681
BALANCE AT 30 JUNE 2014		**259,183**	**1,807**	**(37,415)**	**223,575**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Note	30 June 2014	30 June 2013
		$'000	$'000
OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		53,299	25,167
Payments to suppliers and employees (inclusive of GST)		(64,390)	(45,176)
		(11,091)	**(20,009)**
Interest paid		(705)	(669)
Distributions received		479	362
Interest received		2,081	2,512
Payments for security deposits	11(A)	(730)	-
Net cash outflow from operating activities	30	**(9,966)**	**(17,804)**
INVESTING ACTIVITIES			
Payments for property, plant and equipment	13	(103,362)	(64,440)
Cash inflow / (outflow) for the investment in term deposits	9	(41,500)	12,429
Proceeds from disposal of controlling interest in subsidiary		-	73,687
Proceeds from disposal of APDC securities		28,146	-
Payments for intangible assets		(48)	(7)
Loans (to)/from related parties	29(D)	750	(750)
Net cash inflow / (outflow) from investing activities		**(116,014)**	**20,919**
FINANCING ACTIVITIES			
Acquisition of non-controlling interest		-	(10,315)
Cash held in escrow for coupon payments	11(A)	(4,800)	-
Finance lease payments		(231)	(36)
Proceeds from issues of shares (including exercised options)		51,796	2,950
Transaction costs paid in relation to issue of shares		(1,338)	-
Proceeds from borrowings	19(A)	60,000	-
Transaction costs paid in relation to loans and borrowings		(1,492)	-
Net cash (outflow) / inflow from financing activities		**103,935**	**(7,401)**
Net (decrease) / increase in cash and cash equivalents		**(22,045)**	**(4,286)**
Cash and cash equivalents at the beginning of the year		38,883	43,169
Cash and cash equivalents at the end of the year	9	**16,838**	**38,883**
Non-cash investing and financing activities	14		

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

Notes to the Consolidated Financial Report

Notes to the consolidated financial statements – 30 June 2014

1. 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 periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of NEXTDC Limited and its subsidiaries. NEXTDC 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 2013 to 30 June 2014. The comparative reporting period is 1 July 2012 to 30 June 2013.

(b) Basis of preparation

These general purpose financial statements have 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.

(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 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(c) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

1. Summary of significant accounting policies (continued)

(ii) Employee Share Trust

The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held by NEXTDC Share Plan Pty Ltd are disclosed as treasury shares and deducted from contributed equity.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of NEXTDC Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive management team. The executive team is responsible for allocating resources and assessing performance of the operating segments. The executive team is the chief operating decision maker and consists of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer, Chief Legal Officer, Executive General Manager – Sales and Marketing and Head of People and Culture.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities are as follows:

(i) Data centre services

Revenue is recognised only when the service has been provided, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Upfront discounts provided to customers are amortised over the contract term - refer to Note 1(M).

(ii) Data centre development revenue

Revenue from data centre development is recognised under the stage-of-completion method of accounting. As soon as a data centre development project has commenced construction, the Group applies the stage-of-completion method. The stage-of-completion is obtained from independent quantity surveyor reports. The quantity surveyor performs site inspections and reviews its progress in conjunction with the construction programme. At balance date, the Group recognises revenue by reference to the stage of completion of the transaction.

(iii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(f) 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. Bank overdrafts, if applicable, are shown within borrowings in current liabilities in the Consolidated Balance Sheet.

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

(h) 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.

(i) 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.

1. Summary of significant accounting policies (continued)

(j) Investments and other financial assets

LOANS AND RECEIVABLES

Classification

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as noncurrent assets. Loans and receivables are included in trade and other receivables (note 10) in the Consolidated Balance Sheet.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment

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

Assets carried at amortised cost

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Consolidated Statement of Comprehensive Income. Impairment testing of trade receivables is described in note 1(O).

(k) 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. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 period in which they are incurred.

Depreciation on other assets is calculated using the straightline method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the lease term (if shorter) as follows:

Category	Useful life
Leasehold building	20 years
Plant and machinery	2-25 years
Computer equipment	1-15 years
Office furniture and equipment	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

(l) 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.

(m) Other assets

CUSTOMER INCENTIVES

Incentives offered to customers in the form of free or discount periods at the start of the contract are capitalised at cost as provided and recognised on a straight-line basis over the term of the customer contract.

(n) Intangible assets

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 two to three years. Their useful lives and potential impairment are reviewed at the end of each financial year.

TRADEMARKS AND LICENCES

Certain trademarks and licences that NEXTDC possess 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 acquire are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

RESEARCH AND DEVELOPMENT

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably.

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use

(o) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 13). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(p) 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.

1. Summary of significant accounting policies (continued)

(q) Assets held for sale

Non-current assets or disposal groups are classified as held for sale and stated at the lower of their carrying amounts or fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(s) 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. In this case, the fee is deferred until the draw down occurs. 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.

(t) 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 each reporting period. The discount rate used to determine the present value is a pretax 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.

(u) 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 using the projected unit credit method. 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) Retirement benefit obligations

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

(iv) Share-based payments

Share-based compensation benefits are provided to participants via the NEXTDC Limited Executive Share Option Plan or NEXTDC Loan Funded Share Plan.

The fair value of options granted under the NEXTDC Limited Executive Share Option Plan and the NEXTDC Loan Funded Share Plan 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 of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and nonmarket performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. 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 entity revises its estimates of the number of options that are expected to vest based on the nonmarket 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.

When the options are exercised, the proceeds received net of any directly attributable transaction costs are credited directly to equity.

(v) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(w) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(x) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit 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, adjusted for bonus elements in ordinary shares issued during the year (Note 31).

(ii) Diluted earnings per share

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

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

(z) Functional and presentation currency

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

(aa) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, 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.

1. Summary of significant accounting policies (continued)

(ab) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for first time for their annual reporting period commencing 1 July 2013:

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle, and
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

The adoption of these standards only affected the disclosures in the notes to the financial statements.

Consolidated financial statements and joint arrangements

AASB 10 Consolidated Financial Statements was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements and in Interpretation 112 Consolidation – Special Purpose Entities.

The Company has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either join operations or joint ventures depending on the contractual rights and obligations of each investor.

The Company's accounting for its interests in joint ventures was not affected by the adoption of the new standard since the group had already applied the equity method in accounting for these interests.

Employee benefits

The adoption of the revised AASB 119 Employee Benefits did not have a material impact on the amount recognised in the financial statements.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting.

There will be no impact on the Company's accounting for financial assets or financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The new standard also will impact available-for-sale financial assets, the Company does not hold such assets. The Company does not apply hedge accounting, and therefore no impact is expected from these changes either. The new standard also introduces expanded disclosure requirements and changes in presentation. Must be applied for financial years commencing on or after 1 January 2017 *

* The mandatory application of this standard may be further deferred once the IASB has agreed on a mandatory date for the equivalent international standard.

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

(ac) Parent entity financial information

The financial information for the parent entity, NEXTDC Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements.

2. 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.

At 30 June 2014, the Group had a $20.0 million debt facility with National Australia Bank ("NAB") which had not been drawn. The Group's purchases 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 holds the following financial instruments:

	2014	2013
	$'000	$'000
FINANCIAL ASSETS		
Cash and cash equivalents	16,838	38,883
Term deposits	54,000	12,500
Trade and other receivables	6,168	14,667
Assets held for sale	-	26,450
Loans to related parties	-	770
Total financial assets	**77,006**	**93,270**
FINANCIAL LIABILITIES		
Trade and other payables	6,850	23,567
Unsecured notes	58,969	-
Finance lease liabilities	7,110	7,341
Bank loan	-	-
Total financial liabilities	**72,929**	**30,908**

(a) 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 comprises three types of risk: foreign exchange risk, price risk and interest rate risk.

(i) Foreign exchange risk

The Group currently only operates in Australia and its purchases are predominantly conducted in Australian dollars. Consequently, management has determined that the Group has little or no 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) Price risk

The Group is not exposed to any equity securities price risk or commodity price risk.

(iii) Cash flow and fair value interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Group's main interest rate risk arises from its various fixed-rate term deposits (refer Note 9(A) and Note 9(B)) and its senior debt facility (refer to Note 19(B)) which remained undrawn at 30 June 2014.

The interest rate for the Group's unsecured notes and finance lease liability are fixed consequently the interest rate risk in relation to these instruments is limited.

SENSITIVITY

At 30 June 2014, if interest rates had increased by 100 or decreased by 100 basis points from the year end rates with all other variables held constant, post-tax profit for the period would have been $393,971 higher / $393,971 lower (2013: $359,847 higher / $359,847 lower), mainly as a result of higher/lower interest income from cash, cash equivalents and term deposits.

(b) Credit risk

Credit risk arises from cash and cash equivalents, term deposits, trade receivables, other receivables and loans receivable.

(i) Cash and cash equivalents and term deposits

Deposits are placed with Australian banks or independently rated parties with a minimum rating of 'BBB+'. To reduce exposure deposits are placed with a variety of financial institutions.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

CASH AT BANK AND SHORT-TERM DEPOSITS

	2014	2013
	$'000	$'000
AA rated	50,833	29,381
A+ rated	5,000	10,000
BBB+ rated	15,004	12,001
TOTAL	**70,837**	**51,382**

In determining the credit quality of these financial assets, NEXTDC has used the long-term rating from Standard & Poor's as of July 2014.

(ii) Trade receivables

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit evaluations are performed on all customers. The Group does not require collateral in respect of financial assets. Outstanding customer receivables are monitored regularly.

The Group aims to minimise concentration of credit risk by undertaking transactions with a large number of customers. In addition, receivable balances are monitored on an ongoing basis with the intention that the Group's exposure to bad debts is minimised.

As at 30 June 2014, ten (10) customers owed the Group $3.9 million and accounted for approximately 64% of all the trade receivables owed to the Group.

Revenues from data centre services of $8.8 million were derived from one customer (2013: $1.2 million from one customer) whose revenue comprised more than 10% of total data centre services revenue.

(iii) Other receivables – development agreements

The Group's maximum exposure to credit risk in respect of development agreements receivable is its carrying value plus any work performed and not invoiced to date. The Group does not require collateral in respect of development agreements.

(iv) Loans to related parties

Loans to related parties are not provided within the Group's normal operating activities. Loans to related parties are only provided on commercial terms after a risk assessment has been performed and only with approval from the Board of Directors. The Group's maximum exposure to credit risk in respect of loans to related parties is its carrying value. The Group does not require collateral in respect of loans to related parties.

(c) Liquidity risk

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

At the end of the year, the Group held term deposits of $60.2 million (2013: $34.5 million).

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

(i) Financing arrangements

At 30 June 2014, the Group had a corporate debt facility with National Australia Bank to the value of $20.0 million. The corporate debt facility provides the Group with additional financial flexibility and may be used to fund the Group's working capital and data centre fit out requirements. As at the date of the report, no amounts of this facility had been drawn.

On 16 June 2014, the Group completed a $60.0 million unsecured notes offering maturing in June 2019 ("the Notes"). The notes have a face value of $60.0 million with a 9% fixed rate. The coupon rate is 8% (paid semi-annually) and a 1% premium will be paid on redemption of the note for each year (or part thereof) that it is held. Although the notes mature in June 2019, the Group may repay them as early as 16 December 2016 or at any other time subject to change of control or a change in withholding tax legislation.

(ii) Maturities of financial liabilities

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

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual Maturities of Financial Liabilities	Within 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
2014					
Trade payables	6,850	-	-	6,850	6,850
Unsecured notes	4,800	82,200	-	87,000	58,969
Finance lease liabilities	675	2,700	8,495	11,870	7,110
Total non-derivatives	**12,325**	**84,900**	**8,495**	**105,720**	**72,929**
2013					
Trade payables	23,567	-	-	23,567	23,567
Finance lease liabilities	641	2,565	8,711	11,917	7,341
Total non-derivatives	**24,208**	**2,565**	**8,711**	**35,484**	**30,908**

(d) Fair value measurements

(i) Trade and other payables

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

(ii) Borrowings

The fair value of borrowings is disclosed in Note 19(D) and Note 19(E).

3. Critical accounting estimates and judgements

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.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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.

Deferred taxation

Full provision is made for deferred taxation at the prevailing tax rates at the year-end dates. Deferred tax assets are recognised where it is considered probable that they will be recovered in the future and, as such, are subjective. As at 30 June 2014, NEXTDC did not recognise any tax assets on carried-forward tax losses (2013: $5.3 million recognised).

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.

Lease classification

NEXTDC has classified its three leases (M1, S1 and P1) with APDC Group as operating leases after giving consideration to the criteria outlined in AASB 117 Leases.

4. Segment information

(a) Description of segments

Directors consider the business from a geographic perspective and have identified five reportable segments, being each state where the Group operates data centre facilities. These segments exist by way of geographical segregation and 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:

	Qld	Vic	NSW	WA	ACT	Total
	$'000	$'000	$'000	$'000	$'000	$'000
30 JUNE 2014						
Revenue from external customers	7,656	16,304	5,899	83	418	30,360
Direct and facility costs	(1,745)	(7,705)	(6,493)	(2,009)	(2,928)	(20,880)
Employee benefits expense	(635)	(1,516)	(1,282)	(633)	(573)	(4,639)
Other expenses	(54)	(171)	(168)	(102)	(63)	(558)
Segment operating profit/(loss)	**5,222**	**6,912**	**(2,044)**	**(2,661)**	**(3,146)**	**4,283**
Depreciation and amortisation	(2,388)	(3,884)	(2,191)	(584)	(452)	(9,499)
Finance charge	(410)	-	-	-	-	(410)
Segment profit/(loss) before tax	**2,424**	**3,028**	**(4,235)**	**(3,245)**	**(3,598)**	**(5,626)**
Segment assets	29,544	76,747	61,926	32,300	4,988	205,505
Unallocated assets	-	-	-	-	-	91,776
Total segment assets						**297,281**
30 JUNE 2013						
Revenue from external customers	4,105	4,627	-	-	268	9,000
Direct and facility costs	(1,453)	(4,549)	(1,428)	(271)	(2,847)	(10,548)
Employee benefits expense	(256)	(650)	(43)	(43)	(128)	(1,120)
Other expenses	(123)	(88)	-	-	(37)	(248)
Segment operating profit/(loss)	**2,273**	**(660)**	**(1,471)**	**(314)**	**(2,744)**	**(2,916)**
Depreciation and amortisation	(2,058)	(2,898)	-	-	(347)	(5,303)
Finance charge	(606)	-	-	-	-	(606)
Segment loss before tax	**(391)**	**(3,558)**	**(1,471)**	**(314)**	**(3,091)**	**(8,825)**
Segment assets	30,453	54,523	32,964	2,073	4,474	124,487
Unallocated assets	-	-	-	-	-	103,323
Total segment assets	**30,453**	**54,523**	**32,964**	**2,073**	**4,474**	**227,810**

There was no impairment charge or other significant noncash item recognised in 2014 (2013: nil).

4 Segment information (continued)

(c) Other segment information

(i) Segment revenue

	Note	2014	2013
		$'000	$'000
SEGMENT REVENUE			
Data centre services revenue	5	30,360	9,000
Data centre development revenue	5	15,470	24,358
Interest revenue	5	1,970	2,223
Other revenue	5	495	598
Total revenue from continuing operations		**48,295**	**36,179**

NEXTDC is domiciled in Australia. During the year, revenue was generated from all five of the Group's data centres. Included in the revenue is data centre services revenue derived from S1 Sydney (opened 30 September 2013) and P1 Perth (opened 24 February 2014). In the year ended 30 June 2013, revenue was only generated from the Group's B1, M1 and C1 data centres, which were the only operational data centre facilities during that year.

Except for the APDC Group, who contributed 100% of NEXTDC's data centre development revenue, revenues from data centre services of $8.8 million were derived from one customer (2013: $1.2 million from one customer) whose revenue comprised more than 10% of total data centre services revenue.

(ii) Loss before tax

Management assesses the performance of the operating segments based on a measure of profit / (loss) before tax. Furthermore, the measure excludes the gains or losses on development of the site and the effects of equity-settled share-based payments. 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 loss before income tax is provided as follows:

	2014	2013
	$'000	$'000
Total segment loss before tax	**(5,626)**	**(8,825)**
Employee benefits expense (non-facility staff)	(12,846)	(11,876)
Net development income	4,859	6,160
Gain on disposal of controlling interest	-	14,573
Interest revenue	1,970	2,223
Distributions from investments	479	362
Other income	1,759	236
Finance costs	(754)	(63)
Head office depreciation	(854)	(435)
Overheads and other expenses	(8,882)	(5,842)
Loss before income tax from continuing operations	**(19,895)**	**(3,487)**

A reconciliation of depreciation and amortisation is provided as follows:

	2014	2013
	$'000	$'000
Segment depreciation and amortisation expense	9,499	5,303
Head office depreciation	855	435
Total depreciation and amortisation expense	**10,354**	**5,738**

(iii) Segment assets

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset. Only property, plant and equipment for each data centre facility is included as the asset for that segment. Assets such as cash and cash equivalents and trade and other receivables are not allocated to specific segments as they are centrally managed. Total segment assets reconciles to total assets as follows

	Note	2014	2013
		$'000	$'000
Total segment assets		**205,505**	**124,487**
Cash and cash equivalents	9(A)	16,838	38,883
Term deposits	9(B)	54,000	12,500
Trade and other receivables	10	6,168	14,667
Other assets		11,610	4,739
Asset held for sale	12	-	26,450
Other non-current receivable		-	770
Property, plant and equipment		2,503	2,630
Intangibles	15	657	74
Net deferred tax assets	16	-	2,610
Total assets		**297,281**	**227,810**

(iv) 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.

5. Revenue

	Note	2014	2013
		$'000	$'000
FROM CONTINUING OPERATIONS			
Data centre services revenue		**30,360**	**9,000**
Data centre development revenue		**15,470**	**24,358**
Interest income		1,970	2,223
Sundry revenue		16	236
Distributions from investments		479	362
		2,465	**2,821**
TOTAL REVENUE		**48,295**	**36,179**

6. Significant items of income and expense

	Note	2014	2013
		$'000	$'000
OTHER INCOME			
Profit on sale of APDC securities	(A)	1,710	-
Sundry income		49	14,573
		1,759	**14,573**
EXPENSE			
Professional fees	(B)	(3,042)	(908)
Finance costs	(C)	(1,164)	(669)
Data centre rent paid to APDC	(D)	(11,713)	(3,657)

(a) Other income

Other income includes profit on disposal of APDC securities. During the year ended 30 June 2014, the Group sold its investment in APDC which resulted in a profit on disposal of $1.7 million. In the year to 30 June 2013, the income of $14.6 million related to the loss of control of APDC.

(b) Professional fees

As part of the establishment of the unsecured note funding and the corporate debt facility, the Group incurred approximately $1.3 million in non-recurring professional fees.

(c) Finance costs

In June 2014, the Group replaced its $30.0 million ANZ banking facility ("ANZ facility") with a $20.0 million debt facility from National Australia Bank ("NAB Facility"). As a result, the Group wrote off $0.2 million of borrowing costs which was initially capitalised as part of the ANZ facility. Finance costs also include facility line fees paid during the year to ANZ and interest charges on the B1 Brisbane finance lease.

(d) Data centre rent paid to APDC

APDC is the landlord of three of NEXTDC's data centre facilities: M1 Melbourne, S1 Sydney and P1 Perth. Throughout the period, NEXTDC paid rent and ancillary amounts to APDC totalling $11.7 million (excluding the period that APDC was a related party). The payments relate to the three operating leases for the facilities. These leases expire in 2027 and have options for a further 2 x 10 years and 1 x 5 years. Data centre rent is included in the Consolidated Statement of Comprehensive Income in Data centre facility costs.

7. Data centre development revenue and expenditure

	Note	2014	2013
		$'000	$'000
Data centre development revenue	(A)	15,470	24,358
Data centre development costs	(B)	(10,611)	(18,198)

(a) Data centre development revenue

During the year, NEXTDC recognised development revenue of $15.5 million in respect of the completion of P1 Perth Data Centre building for Asia Pacific Data Centre Group ("APDC"). The project delivered total revenue of $23.8 million of which $8.3 million was recognised in the year to 30 June 2013.

(b) Data centre development costs

Development expenditure for the period was $10.6 million in respect of P1 Perth Data Centre building. The project cost was a total of $16.8 million of which $6.2 million was incurred in the year to 30 June 2013.

Receipts of development revenue and payments of development costs are disclosed in the Consolidated Statement of Cash Flows in Cash from Operating Activities.

8. Income tax expense

	2014	2013
	$'000	$'000
(a) INCOME TAX CREDIT		
Deferred tax expense / (benefit)	3,011	(1,267)
Under / (over) provision in prior years	-	-
Sub-total	**3,011**	**(1,267)**
Income tax credit is attributable to:		
• Loss from continuing operations	3,011	(1,267)
Aggregate income tax expense / (benefit)	**3,011**	**(1,267)**
Deferred income tax included in income tax credit comprises:		
• Decrease / (increase) in deferred tax assets (Note 16)	7,160	(6,460)
• (Decrease) / increase in deferred tax liabilities (Note 20)	(4,550)	5,193
• Deferred tax credited to equity	401	-
	3,011	**(1,267)**
(b) NUMERICAL RECONCILIATION OF INCOME TAX CREDIT TO PRIMA FACIE TAX PAYABLE		
Loss from continuing operations before income tax expense	(19,895)	(3,487)
Tax credit at the Australian tax rate of 30%	(5,969)	(1,046)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	250	274
Share-based payments	204	250
Non-assessable income	-	(56)
Tax credits from prior year tax losses	-	(3,734)
Tax losses for which no deferred tax asset has been recognised (Note d)	6,621	3,045
Temporary timing differences not recognised	1,905	-
Income tax expense / (benefit)	**3,011**	**(1,267)**
(c) AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
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:		
Current tax credited directly to equity	(401)	-
(d) TAX LOSSES		
Unused tax losses for which no deferred tax asset has been recognised	31,586	10,150
Potential tax benefit @ 30%	9,475	3,045

9. Cash, cash equivalents and term deposits

	Note	2014	2013
		$'000	**$'000**
Cash at bank and in hand		10,635	16,883
Deposits with a term of 3 months or shorter	(A)	6,203	22,000
Total cash and cash equivalents		**16,838**	**38,883**
Deposits with a term of longer than 3 months but shorter than 9 months	(B)	54,000	12,500
Total cash, cash equivalents and term deposits		**70,838**	**51,383**

(a) Deposits with a term of 3 months or shorter

At 30 June 2014, the Group held $6.2 million of deposits which had a term of 3 months or shorter. The maturity of these term deposits is aligned to meet the Group's expected cash commitments.

(b) Deposits with a term of longer than 3 months but shorter than 9 months

At 30 June 2014, the Group held $54.0 million in deposits which have a term of longer than 3 months but shorter than 9 months. The maturity of these term deposits is aligned to meet the Group's expected cash commitments.

(c) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 2. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

(d) Reclassification of term deposits

The Group reclassified $12.5 million of its term deposits at 30 June 2013 from cash and cash equivalents into term deposits.

10. Trade and other receivables

	Note	2014			2013		
		Current	Non-Current	TOTAL	Current	Non-Current	TOTAL
		$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables		5,763	-	**5,763**	1,447	-	**1,447**
• Related parties	(C)	-	-	**-**	425	-	**425**
Provision for impairment	(A)	-	-	**-**	(32)	-	**(32)**
		5,763	-	**5,763**	1,840	-	**1,840**
Interest receivable	(D)	122	-	**122**	249	-	**249**
GST receivable		283	-	**283**	2,786	-	**2,786**
Other receivables	(E)	-	-	**-**	16	-	**16**
Receivables– related parties	(C)	-	-	**-**	9,776	-	**9,776**
Loans to related parties		-	-	**-**	-	770	**770**
Total		**6,168**	**-**	**6,168**	**14,667**	**770**	**15,437**

10 Trade and other receivables (continued)

(a) Impaired trade receivables

As at 30 June 2014 no trade receivables of the Group were impaired (2013: $32,000).

The ageing of these receivables is as follows:

	2014	2013
	$'000	$'000
1 to 3 months	-	6
4 to 6 months	-	26
Total impaired trade receivables	**-**	**32**

Movements in the provision for impairment of receivables are as follows:

	2014	2013
	$'000	$'000
Opening balance	32	-
Provision for impairment recognised / (reversed) during the year	(15)	70
Receivables written off during the year as unrecoverable	(17)	(38)
Balance at 30 June	**-**	**32**

(b) Past due but not impaired

As at 30 June 2014, trade receivables of approximately $0.8 million (2013: $1.1 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014	2013
	$'000	$'000
Up to 3 months	633	844
More than 3 months	180	226
Total past due but not impaired	**813**	**1,070**

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these other receivables.

(c) Receivables – related parties

There were no related party receivables at year-end (2013: $10.5 million).

(d) 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 2(b).

(e) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

(f) Foreign exchange and interest rate risk

The Group currently does not have any receivables that are exposed to foreign exchange and interest rate risk.

(g) Fair value and credit risk

Due to the short-term nature of the current receivables, their carrying amount is assumed to approximate their fair value. The fair value of the non-current receivables is as follows:

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Loans to related parties – Note 29(D)	-	-	770	770
Total loans to related parties	**-**	**-**	**770**	**770**

11. Other assets

	Note	2014	2013
		$'000	$'000
CURRENT			
Prepayments		297	302
Security deposits	(A)	7,881	2,351
Other current assets		238	155
Customer incentives	(B)	936	426
Total other assets – current		**9,352**	**3,234**
NON-CURRENT			
Customer incentives	(B)	2,495	1,505
Total other assets – non-current		**2,495**	**1,505**

(a) Security deposits

From time to time, the Group may provide bank guarantees to third parties in order to secure the performance of a contract. A bank guarantee will typically involve cash being held in a long term deposit and secured until the end of the guarantee term. These deposits represent cash not available for use by the Group and are consequently disclosed as security deposits within other receivables. Subject to meeting the Group's obligations at the end of the contract, the security over the term deposit will be lifted, with cash being returned to the Group.

Included in the security deposits was $3.1 million relating to deposits held as security for bank guarantees. $4.8 million relates to deposits held in escrow in respect of the first two coupon payments to holders of unsecured notes.

(b) Customer incentives

Where customers are offered incentives in the form of free or discounted periods, the dollar value of the incentive is capitalised and amortised on a straight-line basis over the life of the contract.

12. Assets held for sale

	2014	2013
	$'000	$'000
Carrying amount at the beginning of the period	26,450	-
Partly-paid securities received as part consideration for disposal of assets (Note 14)	-	16,135
Payment of final instalment	-	10,315
Disposal of assets held for sale	(26,450)	-
Carrying amount at the end of the period	**-**	**26,450**

As at 30 June 2013, NEXTDC Limited held a 23% interest in the Asia Pacific Data Centre Group (APDC) (ASX: AJD). On 3 July 2013, NEXTDC disposed of its interest in the APDC Group for approximately $28.3 million. This resulted in a profit of approximately $1.7 million which was recognised in the 2014 financial year.

13. Property, plant and equipment

	Assets in the course of construction	Freehold land	Buildings	Plant and machinery	Computer equipment	Office furniture and equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 JUNE 2014							
Opening net book amount	36,967	-	8,923	78,913	1,565	749	127,117
Additions	88,707	-	-	2,159	1,061	79	92,006
Depreciation charge	-	-	(488)	(8,792)	(762)	(312)	(10,354)
Disposal	(908)	-	-	(86)	(5)	-	(999)
Transfer	(121,135)	-	-	120,688	237	209	-
Closing net book amount	**3,631**	**-**	**8,435**	**192,882**	**2,096**	**726**	**207,770**
Cost	3,631	-	9,736	206,890	3,463	1,114	224,834
Accumulated depreciation	-	-	(1,301)	(14,008)	(1,367)	(388)	(17,064)
Net book amount	**3,631**	**-**	**8,435**	**192,882**	**2,096**	**726**	**207,770**
30 JUNE 2013							
Opening net book amount	83,853	26,837	9,534	19,100	1,106	618	141,048
Additions	64,966	-	145	2,405	905	191	68,612
Depreciation charge	-	-	(718)	(4,519)	(441)	(60)	(5,738)
Disposal	(19,428)	(26,837)	(30,277)	(258)	(5)	-	(76,805)
Transfer	(92,424)	-	30,239	62,185	-	-	-
Closing net book amount	**36,967**	**-**	**8,923**	**78,913**	**1,565**	**749**	**127,117**
Cost	36,967	-	9,737	84,137	2,172	824	133,837
Accumulated depreciation	-	-	(814)	(5,224)	(607)	(75)	(6,720)
Net book amount	**36,967**	**-**	**8,923**	**78,913**	**1,565**	**749**	**127,117**

Leased assets

Buildings include the following amounts where the Group is a lessee under a finance lease:

	2014	2013
	$'000	$'000
Buildings – at cost	7,665	7,665
Accumulated depreciation	(964)	(520)
Net book amount	**6,701**	**7,145**

14. Non-cash investing and financing activities

	2014	2013
	$'000	$'000
Securities received in APDC on sale of controlling interest	-	16,135
Total non-cash investing and financing activities	**-**	**16,135**

15. Intangible assets

	2014	2013
	$'000	$'000
Rights and licences	81	33
Internally generated software	577	41
Total intangible assets	**658**	**74**

Movements	Rights and licences	Internally generated software	Total
	$'000	$'000	$'000
30 JUNE 2014			
Opening net book amount at 1 July 2013	33	41	74
Additions – externally acquired	49	-	49
Additions – internal development	-	536	536
Amortisation	(1)	-	(1)
Closing net book amount	**81**	**577**	**658**
Cost	82	577	659
Accumulated amortisation and impairment	(1)	-	(1)
Net book amount	**81**	**577**	**658**
30 JUNE 2013			
Opening net book amount at 1 July 2012	26	-	26
Additions – externally acquired	7	-	7
Additions – internal development	-	41	41
Closing net book amount	**33**	**41**	**74**
Cost	33	41	74
Accumulated amortisation and impairment	-	-	-
Net book amount	**33**	**41**	**74**

16. Deferred tax assets

	2014	2013
	$'000	$'000
THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:		
Provisions for doubtful debts	-	9
Employee benefits	344	147
Expenses deductible in future years	69	27
Revenue received in advance	71	45
Black-hole expenditure deductible in future years	1,185	1,507
Finance lease provisions	2,133	2,202
Tax credits from tax losses	-	5,349
Borrowing costs	269	-
Make good provision	51	36
Share issue expenses	860	915
Total deferred tax assets	**4,982**	**10,237**
Setoff of deferred tax liabilities pursuant to setoff provisions (Note 20)	(3,077)	(7,627)
Deferred tax assets not recognised	(1,905)	
Net deferred tax assets	**-**	**2,610**
Deferred tax assets expected to be recovered within 12 months	-	6,417
Deferred tax assets expected to be recovered after more than 12 months	-	3,820
Total	**-**	**10,237**

Movements	Tax Losses	Employee Benefits	Other	Share Transaction Costs	Total
	$'000	$'000	$'000	$'000	$'000
2014					
At 1 July 2013	5,349	147	3,826	915	10,237
Charged/(credited)					
- to profit or loss	(5,349)	(147)	(3,826)	(915)	(10,237)
At 30 June 2014	**-**	**-**	**-**	**-**	**-**
2013					
At 1 July 2012	-	127	2,358	1,292	3,777
Charged/(credited)					
to profit or loss	5,349	20	1,468	(377)	6,460
At 30 June 2013	**5,349**	**147**	**3,826**	**915**	**10,237**

17. Trade and other payables

	2014	2013
	$'000	$'000
Trade payables	4,745	16,984
Employee entitlements	994	1,137
PAYG payable	15	740
Accrued expenses	1,096	4,706
Total trade and other payables	**6,850**	**23,567**

RISK EXPOSURE

As all payables are in Australian dollars, management does not believe there are any significant risks in relation to these financial liabilities. Refer to Note 2 for details of the Group's financial risk management policies.

18. Other liabilities

	2014	2013
	$'000	$'000
CURRENT		
Revenue received in advance	41	16
Other	52	-
Total current other liabilities	**93**	**16**
NON-CURRENT		
Deferred profit on sale and leaseback transaction (B1)	119	133
Operating lease rental incentive	26	-
Total non-current other liabilities	**145**	**133**

19. Interest-bearing loans and borrowings

	Note	2014	2013
		$'000	$'000
CURRENT			
Finance lease – secured		245	231
NON-CURRENT			
Unsecured notes	(A)	58,969	-
Bank loan	(B)	-	-
Finance lease – secured		6,865	7,110
SUBTOTAL		**65,834**	**7,110**
Total interest-bearing loans and borrowings		**66,079**	**7,341**

(a) Unsecured notes

On 16 June 2014, the Group completed a $60.0 million unsecured notes offering maturing in June 2019 ("the Notes"). The notes have a face value of $60.0 million with a 9% fixed rate. The coupon rate is 8% (paid semi-annually) and a 1% premium will be paid on redemption of the note for each year (or part thereof) that it is held. Although the notes mature in June 2019, the Group may repay them as early as 16 December 2016 or at any other time subject to change of control or a change in withholding tax legislation.

The notes are recognised at fair value net of transaction costs which are subsequently amortised using the effective interest rate method.

(b) Bank loan

Secured liabilities and assets pledged as security

Concurrent with the issuance of the Notes, the Group's former $30 million loan facility with ANZ was refinanced and replaced with a $20.0 million facility with National Australia Bank. As at 30 June 2014, the Group's bankers have provided a $20.0 million corporate debt facility.

The corporate debt facility is secured by first mortgages over the Group's assets. As at the date of this report, the Group had not drawn on its debt facility. The facility, which is subject to customary financial and reporting covenants, expires on 16 June 2016.

(c) Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2014 financial year (2013: not applicable).

(d) Fair value – bank borrowings

Whilst NEXTDC has an existing $20.0 million bank facility, the facility remained undrawn as at 30 June 2014.

(e) Fair value – unsecured notes

Material differences are identified for the following borrowings:

	2014			2013		
	Carrying amount	Fair value	Disc. Rate	Carrying amount	Fair value	Disc. Rate
	$'000	$'000	(%)	$'000	$'000	(%)
Unsecured notes	58,969	60,000	9.52%	-	-	-

Summary of available facilities	2014	2013
	$'000	$'000
Bank loan facilities – accessible	20,000	-
Bank loan facilities – utilised	-	-

20. Deferred tax liabilities

	2014	2013
	$'000	$'000
THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:		
Accrued interest	37	64
Finance lease asset	2,010	2,144
Customer incentives	1,030	579
Investments	-	4,840
Total deferred tax liabilities	**3,077**	**7,627**
Setoff of deferred tax liabilities pursuant to setoff provisions (Note 16)	(3,077)	(7,627)
Net deferred tax liabilities	**-**	**-**
Deferred tax liabilities expected to be settled within 12 months	429	5,151
Deferred tax liabilities expected to be settled after more than 12 months	2,648	2,476
Total	**3,077**	**7,627**
Movements		
Opening Balance	**7,627**	**2,434**
Charged to profit or loss (Note 8)	(4,550)	5,193
Closing Balance	**3,077**	**7,627**

21. Provisions

	Note	2014	2013
		$'000	$'000
Provision for make-good	(A)	171	122
Provision for asset replacement	(B)	243	243
Provision for abandoned asset	(C)	125	-
Total provisions		**539**	**365**

(a) Make good provision
NEXTDC Limited is required to restore the leased premises of its office tenancies to their original condition at the end of their lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements.

(b) Provision for asset replacement
NEXTDC has recognised a provision relating to the replacement of equipment at its B1 Brisbane data centre. The Group expects this provision to be utilised in the 2015 financial year.

(c) Provision for abandoned asset
NEXTDC has recognised a provision for the remaining amount of an operating lease contract over an office premises that it has vacated during the year. The operating lease expires in May 2015.

(d) Movements in provisions
Movements in each class of provision during the financial year are set out below:

Movements	Make good provision	Asset replacement	Abandoned Asset	TOTAL
	$'000	$'000	$'000	$'000
2014				
At 1 July 2013	122	243	-	365
Charged/(credited) to profit or loss	49	-	125	174
Amounts used during the year	-	-	-	-
At 30 June 2014	**171**	**243**	**125**	**539**

22. Contributed equity

(a) Share Capital

	Note	2014	2014	2013	2013
		Number of shares	$	Number of shares	$
Fully paid ordinary shares	(C)	193,154,486	259,183,066	173,673,716	209,770,664
Treasury shares	(F)	3,676,744	7,888,998	3,576,744	7,624,998
Total share capital		**196,831,230**	**267,072,064**	**177,250,460**	**217,395,662**

(b) Movements in ordinary share capital

Date	Details	Note	Number of Shares	Issue Price	Value
					$
1 Jul 2013	Opening balance		177,250,460		217,395,662
21 Aug 2013	Issue of additional shares	(C)	19,230,770	2.60	50,000,002
9 Apr 2014	Conversion of options to shares	(E)	250,000	1.40	350,000
14 Apr 2014	Issue of shares under loan funded share plan	(F)	100,000	2.64	264,000
	Less transaction costs on shares issued				(1,339,429)
	Add/(subtract) current tax credit recognised directly in equity				401,829
	Sub-total		196,831,230		267,072,064
	Less shares held by NEXTDC Share Plan Pty Ltd	(F)	(3,676,744)		(7,888,998)
30 Jun 2014	**Balance**		**193,154,486**		**259,183,066**

22. Contributed equity (continued)

In August 2013, the Group raised $50,000,002 through the issue of an additional 19,230,770 shares at $2.60 per share. The transaction was part-managed by Morgans Financial Limited (formerly "RBS Morgans Limited"). Mr Roger Clarke, who was a non-executive Director of NEXTDC Limited until 30 April 2014, was the Chairman of the Board of Advice at Morgans Financial Limited. The engagement was on an arm's length basis and resulted in a payment to Morgans Financial Limited of $662,500.

Date	Details	Note	Number of Shares	Issue Price	Value
					$
1 Jul 2012	Opening balance		172,316,572		208,280,262
26 Oct 2012	Conversion of options to shares	(E)	25,000	1.00	25,000
6 Dec 2012	Conversion of options to shares	(E)	200,000	1.00	200,000
11 Dec 2012	Conversion of options to shares	(E)	25,000	1.00	25,000
13 Dec 2012	Conversion of options to shares	(E)	1,250,000	1.00	1,250,000
13 Dec 2012	Conversion of options to shares	(E)	500,000	1.50	750,000
27 Mar 2013	Issue of shares under loan funded share plan	(F)	2,433,888	2.31	5,625,000
23 Apr 2013	Conversion of options to shares	(E)	500,000	1.40	700,000
30 Jun 2013	Transfers from share-based payment reserve				540,400
	Sub-total		**177,250,460**		**217,395,662**
	Less shares held by NEXTDC Share Plan Pty Ltd	(F)	(3,576,744)	2.31	(7,624,998)
30 Jun 2013	**Balance**		**173,673,716**		**209,770,664**

(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.

(d) Dividend reinvestment plan

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

(e) Options

Information relating to the NEXTDC Limited Executive Share Option Plan, including details of options issued, exercised and lapsed during the year and options outstanding at the end of the year, is set out in Note 32(B).

(f) Loan funded share plan

The Group operates a Loan Funded Share Plan remuneration scheme to attract and retain key employees. The arrangement involves the issue of shares to NEXTDC Share Plan Pty Ltd, whose sole purpose is to hold shares as trustee for its beneficiaries (its participants). The participants are required to meet service requirements before being entitled to access these shares. Further, the participants are required to repay the loan to the subsidiary in order to access the shares. Consequently, until such time that the participants repay the loan, there is no flow of cash to the Group.

Due to the structure of the plan, in particular the use of a limited recourse loan, the Accounting Standards require that grants be treated the same as the issue of an option and do not permit the recognition of a loan balance.

The fair value at grant date of the shares was determined using either a Black-Scholes or binomial option pricing model that takes 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 is recognised as share-based payments.

The 3,676,744 (2013: 3,576,744) ordinary shares on issue at the end of the year are subject to dealing restrictions until the loan is repaid. Due to the loan being limited recourse, equity contributions are recognised on receipt of loan repayments. No loan repayments were received during the year (2013: $999,999).

More information relating to the loan funded share plan including details of shares issued under the scheme is set out in Note 32(B).

	2014	2013
Number of loan-funded shares held by key management personnel (net of shares that have been repaid)	2,739,521	2,539,521
Number of shares held by other staff	661,124	916,428
Shares held by the Trust but not allocated	276,099	120,795
Total number of loan-funded shares	**3,676,744**	**3,576,744**

(g) Capital risk management

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

In future, the Directors may pursue other 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 position of development.

	2014	2013
	$'000	$'000
Total borrowings (including trade and other payables)	73,229	30,908
Less cash and cash equivalents and term deposits	(70,838)	(51,383)
Net debt / (surplus cash)	**2,391**	**(20,475)**
Total equity	259,183	209,771
Total capital	**261,574**	**189,296**
Gearing ratio	**1%**	**0%**

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 trade and other payables, total interest bearing financial liabilities and derivative financial instruments, less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

23. Reserves

	2014	2013
	$'000	$'000
Share-based payments	1,807	1,126
Total reserves	**1,807**	**1,126**

Movements	2014	2013
	$'000	$'000
Opening balance	1,126	832
Share-based payments expense	681	835
Transfer from reserves to equity on exercise of options	-	(541)
Total reserves	**1,807**	**1,126**

NATURE AND PURPOSE OF RESERVES

Share-based payments

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to participants but not exercised
- the grant date fair value of shares issued to participants
- the issue of shares held by the NEXTDC Limited Executive Share Option Plan or NEXTDC Share Plan Pty Ltd

24. Accumulated losses

Movements	2014	2013
	$'000	$'000
Opening balance	(14,509)	(12,289)
Loss for the year	(22,906)	(2,220)
Total accumulated losses	**(37,415)**	**(14,509)**

25. Dividends

No dividends were paid or were declared payable by the Group during the year ended 30 June 2014 (2013: nil).

26. Key management personnel disclosures

(a) Key management personnel compensation

	2014	2013
	$'000	$'000
Short-term employee benefits	3,503,752	2,828,912
Post-employment benefits	149,289	132,921
Termination benefits	-	311,029
Share-based payments	524,122	621,405
Total key management personnel compensation	**4,177,163**	**3,894,267**

Detailed remuneration disclosures are provided in the Remuneration Report on pages 24-57.

(b) Loans to key management personnel

Except for the loans provided to key management personnel in respect of the Loan Funded Share Plan, there were no other loans made to key management personnel during the year (2013: nil).

(c) Other transactions with key management personnel

There were no other transactions with key management personnel during the year (2013: nil).

27. Remuneration of auditors

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

(a) PwC Australia

	2014	2013
	$	$
i. Audit and other assurance services		
Audit and review of financial statements	162,438	116,500
ii. Taxation Services		
Tax compliance services	65,300	43,850
iii. Other services		
Accounting and taxation services relating to the establishment and disposal of the APDC group	-	547,664
Business continuity planning and financial modelling	50,000	-
Other minor services	-	4,200
Total Remuneration of PwC Australia	**277,738**	**712,214**

The Board notes that as a term of the Company's initial banking facility, the Company was required by the bank to engage the Company's auditor to review the Company's financial model and its business continuity plans and procedures.

The Group may decide to employ the auditor (PricewaterhouseCoopers) on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the period are set out above.

The board of directors has considered the position and, in accordance with advice received from 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, as set out below, 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
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

(b) Related practices of PwC Australia

No other remuneration was provided to any related practices of PwC Australia.

(c) Non-PwC audit firms

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

28. Commitments and contingencies

(a) Capital commitments

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

	2014	2013
	$'000	$'000
Property, plant and equipment	1,883	26,558
Total capital commitments	**1,883**	**26,558**

Capital commitments disclosed above relate to the fit out of data centres.

(b) Lease commitments: Group as lessee

(i) Non-cancellable operating leases

The Group leases its M1, S1, P1 and C1 data centres under 15-year non-cancellable operating leases in addition to various offices under non-cancellable operating leases expiring within five years. The leases have varying terms, escalation clauses and renewal rights. The Group's leases of M1, S1 and P1 each have consecutive option terms of 10 years, 10 years and 5 years (total 25 years). Further, the rent increases by CPI each year and is subject to market review on the fifth and tenth year of the lease term.

	2014	2013
	$'000	$'000
Within one year	15,712	15,300
Later than one year but not later than 5 years	61,730	60,530
Later than 5 years	128,722	140,794
Total lease commitments	**206,164**	**216,624**

Not included above are contingent rental payments which may arise annually in line with rises in the consumer price index.

(ii) Finance leases

The building of the Group's B1 Brisbane data centre facility is currently under finance lease. The lease period is for an initial term of 20 years, which can be extended with a further four 5-year options.

	2014	2013
	$'000	$'000
Within 12 months	675	641
Later than 12 months but not later than 5 years	2,700	2,565
Later than 5 years	8,495	8,711
Minimum lease payments	**11,870**	**11,917**
Future finance charges	(4,760)	(4,576)
Recognised as a liability	**7,110**	**7,341**
The present value of finance lease liabilities is as follows:		
Within one year	245	231
Later than one year but not later than 5 years	1,130	1,068
Later than 5 years	5,735	6,042
Total finance lease liabilities	**7,110**	**7,341**

(c) Contingent assets

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

(d) Contingent liabilities

GUARANTEES

As at 30 June 2014, the Group provided a total of $3,081,168 (2013: $2,350,727) of guarantees in relation to various operating leases and finance leases that it has entered into.

29. Related party transactions

(a) Transactions with subsidiaries

	2014	2013
	$	$
SALES OF GOODS / SERVICES		
Data centre development revenue earned from related parties	-	29,471,636
SALE OF PROPERTY, PLANT AND EQUIPMENT		
Sale of land and building	-	69,500,000
OTHER TRANSACTIONS		
Loan forgiven while subsidiary was within the Group	-	2,000,000

Transactions with subsidiaries relate to the sale of land and buildings to Asia Pacific Data Centre Group while it was a wholly-owned subsidiary within the NEXTDC Group. These transactions were conducted throughout the year until the APDC Group left the NEXTDC Group in the prior year. Gains and losses associated with these transactions are reflected in the gain on disposal of subsidiaries in profit and loss.

(b) Key management personnel

Disclosure relating to key management personnel are set out in Note 26 and in the Remuneration Report.

(c) Transactions with other related parties

	Note	2014	2013
		$	$
SALES OF GOODS / SERVICES			
Data centre development revenue earned from related parties		-	24,358,365
Data centre services	(i)	99,863	-
PURCHASES OF GOODS / SERVICES			
Payments to related parties for rental of land and buildings	(ii)	83,804	3,657,434
SUPERANNUATION CONTRIBUTIONS			
Contributions to superannuation funds on behalf of employees		1,331,353	914,191
OTHER TRANSACTIONS			
Payments for financial advice to a director-related entity		-	18,150
Payments for professional financial advice and underwriting services		-	3,718,540

29. Related party transactions (continued)

i. NEXTDC provided data centre services to Megaport Pty Ltd. Bevan Slattery, a director of NEXTDC until 30 October 2013, is the founder and director of Megaport Pty Ltd. During the period, Megaport Pty Ltd was considered a related party to NEXTDC and received data centre revenue of $99,863 from Megaport. These transactions were at arm's length and were on commercial terms.

ii. Asia Pacific Data Centre Group ("APDC") was a related party to NEXTDC up until the disposal of the Group's investment on 3 July 2013. During this period, NEXTDC paid $83,804 to APDC (excluding GST) in respect of the rent payable on M1 Melbourne, S1 Sydney and P1 Perth land and buildings.

OUTSTANDING BALANCES ARISING FROM SALES/PURCHASES OF GOODS AND SERVICES

There were no outstanding balances with related parties at 30 June 2014.

(d) Loans to/from related parties

Loans to/from key management personnel are detailed in Note 26(B). Loans to other related parties during at year-end are detailed as follows:

	2014	2013
	$'000	$'000
Beginning of the year	770	-
Interest charged	17	20
Loans advanced	-	2,750
Amounts forgiven	-	(2,000)
Amounts repaid	(787)	-
End of the year	**-**	**770**

30. Reconciliation of loss after income tax to net cash flow from operating activities

	2014	2013
	$'000	$'000
Loss for the year after income tax	**(22,906)**	**(2,220)**
Salaries and wages capitalised	(537)	(449)
Interest on finance lease	-	606
Gain relating to deferred income	(7)	(7)
Depreciation and amortisation	10,354	5,738
Noncash employee benefits expense share-based payments	681	835
Gain on disposal of assets or securities	(1,696)	(14,573)
Finance charges classified as financing activities	225	-
CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) / decrease in trade debtors	4,739	(8,791)
Increase in prepayments and other current assets	481	(485)
Decrease / (increase) in cash used in bank guarantees	(730)	48
Decrease / (increase) in interest receivable	111	204
(Increase) / decrease in GST	1,407	(1,943)
Increase in customer incentives	(1,501)	(1,397)
Increase in deferred tax assets	3,012	(1,267)
Increase in trade creditors	(3,779)	4,799
Increase in other operating liabilities	17	659
Increase in employee entitlements	(270)	429
(Decrease) / increase in revenue in advance	24	(30)
Increase in other provisions	175	40
Increase in interest payable	234	-
Net cash outflow from operating activities	**(9,966)**	**(17,804)**

31. Earnings per share

(a) Losses per share

	2014	2013
	Cents	Cents
Total basic losses per share attributable to the ordinary equity holders of the Group	(11.82)	(1.29)

(b) Diluted Losses per Share

	2014	2013
	Cents	Cents
Total diluted losses per share attributable to the ordinary equity holders of the Group	(11.82)	(1.29)

(c) Reconciliations of earnings used in calculating earnings per share

	2014	2013
	$'000	$'000
BASIC EARNINGS PER SHARE		
Loss attributable to the ordinary equity holders of the Group used in calculating basic losses per share		
Loss used in calculating basic losses per share	**(22,906)**	**(2,220)**
DILUTED EARNINGS PER SHARE		
Loss from continuing operations attributable to the ordinary equity holders of the Group:		
Used in calculating diluted losses per share	**(22,906)**	**(2,220)**
Loss attributable to the ordinary equity holders of the Group used in calculating diluted losses per share	**(22,906)**	**(2,220)**

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

	2014	2013
	Number of shares	Number of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	193,850,355	171,804,793
Plus potential ordinary shares	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**193,850,355**	**171,804,793**

(e) Information concerning the classification of securities

Partly paid ordinary shares

NEXTDC Limited had no partly paid ordinary shares at any time during the year or as at the date of this report.

Options

For the purposes of diluted earnings per share calculations, options granted to employees under the NEXTDC Limited Executive Share Option Plan are not considered potential ordinary shares, as including such securities in the calculation would result in a decreased loss per share, therefore being anti-dilutive. Therefore the dilutive earnings per share is equal to basic earnings per share. Details relating to the options are set out in Note 22(E).

32. Share-based payments

(a) Executive Share Option Plan

The NEXTDC Limited Executive Share Option Plan ("ESOP") was established prior to the Company's Initial Public Offer. The Executive Share Option Plan is designed to provide medium and long-term incentives for directors and senior managers and key personnel to deliver long-term shareholder returns. Under the plan, participants are granted options which will vest after a certain timeframe. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The number of options that will vest depends on the participant's continued employment with NEXTDC. Once vested, the options remain exercisable either for a period of one year or two years. Options are granted under the plan for no consideration.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

Set out below are summaries of options granted under the plan:

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
2014								
27 Apr 2011	27 Apr 2014	$1.40	250,000	-	250,000	-	-	-
31 Oct 2011	27 Apr 2015	$1.40	250,000	-	-	-	250,000	250,000
Total			**500,000**	**-**	**250,000**	**-**	**250,000**	**250,000**
Weighted average exercise price			$1.40	-	$1.40	-	$1.40	$1.40
2013								
13 Dec 2010	13 Dec 2012	$1.00	1,500,000	-	1,500,000	-	-	-
13 Dec 2010	13 Dec 2012	$1.50	500,000	-	500,000	-	-	-
27 Apr 2011	27 Apr 2013	$1.40	500,000	-	500,000	-	-	-
27 Apr 2011	27 Apr 2014	$1.40	250,000	-	-	-	250,000	250,000
31 Oct 2011	27 Apr 2015	$1.40	250,000	-	-	-	250,000	250,000
Total			**3,000,000**	**-**	**2,500,000**	**-**	**500,000**	**500,000**
Weighted average exercise price			$1.22	-	$1.18	-	$1.40	$1.40

No options expired during the periods covered by the above tables. The weighted average remaining contractual life of share options outstanding at the end of the year was 0.83 years (2013: 1.32 years).

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Since the year ended 30 June 2013, no new options have been issued under the Executive Share Option Plan.

32. Share-based payments (continued)

(b) Loan Funded Share Plan

On 31 October 2011, shares were issued to NEXTDC Share Plan Pty Ltd, a wholly-owned subsidiary of NEXTDC Ltd as part of the Group's Loan Funded Share Plan remuneration scheme to attract and retain key employees. The arrangement involved the issue of shares to NEXTDC Share Plan Pty Ltd, whose sole purpose is to hold shares as trustee for its beneficiaries (its participants). The participants are required to meet service requirements before being entitled to access these shares. Further, the participants are required to repay the loan to the subsidiary in order to access the shares. Consequently, until such time that the participants repay the loan, there is no flow of cash to the Group.

Due to the way this transaction has been structured, in particular the use of a limited recourse loan, the Accounting Standards require this transaction to be treated the same as the issue of an option and do not permit the recognition of a loan balance.

The fair value at grant date of the shares was determined using a Black-Scholes option pricing model that takes 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 is recognised as share-based payments.

The 3,676,744 (2013: 3,576,744) ordinary shares issued are subject to dealing restrictions until the loans are repaid. Due to the loans being limited recourse, equity contributions are recognised on receipt of loan repayments.

2014

Grant Date	Expiry date	Consideration	Balance at start of the year	Granted during the year	Repaid during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
31 Oct 2011	31 Oct 2016	$1.75	571,428	-	-	-	571,428	285,714
27 Feb 2012	27 Feb 2017	$1.75	171,428	-	-	-	171,428	85,714
12 Mar 2012	12 Mar 2017	$2.00	100,000	-	-	-	100,000	50,000
1 Aug 2012	31 Jul 2017	$2.00	250,000	-	-	(125,000)	125,000	31,250
1 Aug 2012	31 Jul 2017	$2.50	250,000	-	-	(125,000)	125,000	31,250
15 Oct 2012	14 Oct 2017	$2.00	50,000	-	-	-	50,000	12,500
15 Oct 2012	14 Oct 2017	$2.50	50,000	-	-	-	50,000	12,500
20 Dec 2012	19 Dec 2017	$1.87	534,760	-	-	-	534,760	534,760
20 Dec 2012	19 Dec 2017	$2.00	500,000	-	-	-	500,000	-
20 Dec 2012	19 Dec 2017	$2.50	400,000	-	-	-	400,000	-
20 Dec 2012	19 Dec 2017	$3.00	333,333	-	-	-	333,333	-
28 Jan 2013	27 Jan 2018	$2.00	25,000	-	-	-	25,000	6,250
28 Jan 2013	27 Jan 2018	$2.50	20,000	-	-	-	20,000	5,000
7 Jun 2013	6 Jun 2018	$2.00	50,000	-	-	-	50,000	12,500
7 Jun 2013	6 Jun 2018	$2.50	50,000	-	-	-	50,000	12,500
27 Jun 2013	26 Jun 2018	$2.00	50,000	-	-	-	50,000	12,500
27 Jun 2013	26 Jun 2018	$2.50	50,000	-	-	-	50,000	12,500
14 Jul 2013	13 Jul 2018	$2.64	-	100,000	-	-	100,000	-
			3,455,949	**100,000**	**-**	**(250,000)**	**3,305,949**	**1,104,938**
Weighted average price			$2.14	$2.64	-	$2.25	$2.15	$1.89

Loan Funded Share Plan (continued)

2013

Grant Date	Expiry date	Consideration	Balance at start of the year	Granted during the year	Repaid during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
31 Oct 2011	31 Oct 2016	$1.75	1,142,856	-	(571,428)	-	571,428	142,857
27 Feb 2012	27 Feb 2017	$1.75	171,428	-	-	-	171,428	42,857
12 Mar 2012	12 Mar 2017	$2.00	100,000	-	-	-	100,000	25,000
1 Aug 2012	31 Jul 2017	$2.00	-	250,000	-	-	250,000	-
1 Aug 2012	31 Jul 2017	$2.50	-	250,000	-	-	250,000	-
15 Oct 2012	14 Oct 2017	$2.00	-	50,000	-	-	50,000	-
15 Oct 2012	14 Oct 2017	$2.50	-	50,000	-	-	50,000	-
20 Dec 2012	19 Dec 2017	$1.87	-	534,760	-	-	534,760	-
20 Dec 2012	19 Dec 2017	$2.00	-	500,000	-	-	500,000	-
20 Dec 2012	19 Dec 2017	$2.50	-	400,000	-	-	400,000	-
20 Dec 2012	19 Dec 2017	$3.00	-	333,333	-	-	333,333	-
28 Jan 2013	27 Jan 2018	$2.00	-	25,000	-	-	25,000	-
28 Jan 2013	27 Jan 2018	$2.50	-	20,000	-	-	20,000	-
7 Jun 2013	6 Jun 2018	$2.00	-	50,000	-	-	50,000	-
7 Jun 2013	6 Jun 2018	$2.50	-	50,000	-	-	50,000	-
27 Jun 2013	26 Jun 2018	$2.00	-	50,000	-	-	50,000	-
27 Jun 2013	26 Jun 2018	$2.50	-	50,000	-	-	50,000	-
			1,414,284	**2,613,093**	**(571,428)**	**-**	**3,455,949**	**210,714**
Weighted average price			$1.77	$2.26	$1.75	-	$2.14	$1.78

The total number of shares in the loan funded share plan issued to employees reconciles to the total number of shares in the loan funded share plan on issue as follows:

	2014	2013
Number of loan funded shares issued to employees	3,400,645	3,455,949
Number of loan funded shares unallocated	276,099	120,795
Total number of loan funded shares on issue	**3,676,744**	**3,576,744**

32. Share-based payments (continued)

Loan Funded Share Plan (continued)

Model Inputs	2014	2013
Exercise price (ranges)	$2.64	$1.87 to $3.00
Grant dates(s)	As per previous table	As per previous table
Expiry date(s)	As per previous table	As per previous table
Share price at grant date (ranges)	$2.53 to $2.70	$1.70 to $2.53
Expected price volatility of the company's shares (ranges)	32% to 34%	29% to 32%
Option life	5 years	5 years
Expected dividend yield	0%	0%
Risk-free interest rate (ranges)	2.50% to 2.75%	2.75% to 3.50%

(c) Expenses arising from share-based payment transactions

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

	2014	2013
	$'000	$'000
Options issued under Executive Share Option Plan	-	91
Rights to deferred shares	681	744
Total expenses arising from share-based payment transactions	**681**	**835**

33. Subsidiaries and transactions with non-controlling interests

Name of entity	Country of incorporation	Class of shares	2014	2013
			%	%
NEXTDC Share Plan Pty Ltd	Australia	Ordinary	100%	100%
Global Disaster Recovery Pty Ltd	Australia	Ordinary	100%	100%

34. Controlled entities acquired or disposed

No entities were acquired or disposed during the year.

35. Events occurring after the reporting period

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

36. Parent entity financial information

	Note	2014	2013
		$'000	$'000
Total current assets		86,358	95,734
TOTAL ASSETS		**297,281**	**227,810**
Total current liabilities		7,188	23,814
TOTAL LIABILITIES		**73,706**	**31,422**
NET ASSETS		**223,575**	**196,388**
Shareholders' equity			
Contributed equity		267,072	217,396
Reserves	(A)	(6,082)	(6,499)
Accumulated losses		(37,415)	(14,509)
TOTAL EQUITY		**223,575**	**196,388**
Loss for the year after tax		(22,906)	(2,220)
Total comprehensive loss for the year		(22,906)	(2,220)

(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 2014, NEXTDC Limited did not have any guarantees in relation to the debts of subsidiaries.

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

As at 30 June 2014, the NEXTDC Limited (parent entity) provided a total of $3.1 million (2013: $2.4 million) of bank guarantees in relation to various obligations that it has entered into.

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

Contractual commitments detailed in note 28 relate to NEXTDC Limited as parent entity.

NEXTDC Limited

ABN 35 143 582 521

Directors' Declaration

In the directors' opinion:

a. the financial statements and notes set out on pages 72 to 121 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 Group's financial position as at 30 June 2014 and of its performance for the year ended on that date, and

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

Note 1(a) 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 295A of the *Corporations Act 2001*.

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

Craig Scroggie

Executive Director and Chief Executive Officer

Brisbane

25 August 2014

Independent auditor's report to the members of NEXTDC Limited

Report on the financial report

We have audited the accompanying financial report of NEXTDC Limited (the company), which comprises the consolidated balance sheet as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for NEXTDC Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of NEXTDC Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 24 to 55 of the directors' report for the year ended 30 June 2014. 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.

Auditor's opinion

In our opinion, the remuneration report of NEXTDC Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan

Michael Shewan
Partner

Brisbane
25 August 2014

Shareholder Information

The following shareholder information was applicable as at 31 July 2014.

(a) Distribution of equity securities

Holding	Number of investors	Number of securities
100,001 and over	133	137,908,552
10,001 to 100,000	1,541	39,052,091
5,001 to 10,000	1,232	9,623,260
1,001 to 5,000	1,978	6,170,627
1 to 1,000	887	399,956
Total	**5,771**	**193,154,486**
Unmarketable parcels	379	32,591

(b) 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	J P MORGAN NOMINEES AUSTRALIA LIMITED	38,769,625	20.07%
2	NATIONAL NOMINEES LIMITED	18,036,785	9.34%
3	MR BEVAN ANDREW SLATTERY	15,018,693	7.78%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,447,547	4.37%
5	CITICORP NOMINEES PTY LIMITED	6,899,852	3.57%
6	BNP PARIBAS NOMS PTY LTD	5,792,148	3.00%
7	UBS NOMINEES PTY LTD	3,144,331	1.63%
8	IRSS NOMINEES (22) LIMITED	2,885,440	1.49%
9	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,373,918	1.23%
10	MR BEVAN ANDREW SLATTERY	1,659,817	0.86%
11	JH NOMINEES AUSTRALIA PTY LTD	1,315,000	0.68%
12	CITICORP NOMINEES PTY LIMITED	1,281,487	0.66%
13	BNP PARIBAS NOMS (NZ) LTD	1,172,427	0.61%
14	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,082,850	0.56%
15	BOND STREET CUSTODIANS LTD	1,071,075	0.55%
16	FORESTER INVESTMENTS PTY LIMITED	895,250	0.46%
17	WARBONT NOMINEES PTY LTD	872,544	0.45%
18	BYRINDY PTY LTD	800,000	0.41%
19	MR PETER CONSTABLE	744,054	0.39%
20	FIR NOMINEES PTY LIMITED	701,700	0.36%
	Total for top 20	**112,964,543**	**58.48%**

Unquoted Equity Securities	Number on issue	Number of holders
Options issued under the NEXTDC Executive Share Option Plan to take up ordinary shares	250,000	1

(c) Substantial holders

	Holding	Number held	Percentage of issued shares
1	Bevan Andrew Slattery	17,148,510	8.88%
2	H.E.S.T. Australia Limited as Trustee for the Health Employees Superannuation Trust Australia	16,163,282	8.37%
3	PM Capital Limited; MAPP Pty Ltd	12,832,359	6.64%
4	AustralianSuper Pty Ltd	11,787,926	6.10%
5	Bennelong Funds Management Group Pty Ltd	10,845,211	5.61%
6	National Australia Bank Limited	9,668,983	5.01%

(d) Voting rights

The voting rights attaching to each class of equity securities are set out below:

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.

Options

Options hold no voting rights.

Corporate Directory

Directors

Douglas Flynn
Chairman

Craig Scroggie
Chief Executive Officer

Edward (Ted) Pretty
Non-executive Director

Stuart Davis
Non-executive Director

Gregory J Clark
Non-executive Director

Company Secretary

Tanya Mangold

Registered Office

NEXTDC Limited
Level 4, 88 Creek Street
Brisbane Qld 4000
Tel: +61 (7) 3177 4777

Website Address

www.nextdc.com

Auditor

PricewaterhouseCoopers
Level 15, Riverside Centre
123 Eagle Street
Brisbane Qld 4000

Solicitors

Clayton Utz
Level 28, Riparian Plaza
71 Eagle Street
Brisbane Qld 4000

Share Register

Link Market Services
Level 15, 324 Queen Street
Brisbane Qld 4000
Tel: 1300 554 474 (in Australia)
Tel: +61 (0) 2 8280 7111 (overseas)

Stock Exchange Listing

NEXTDC Limited shares are listed on the Australian Securities Exchange (ASX) under ticker code NXT.


NEXTDC

www.nextdc.com