Results for announcement to the market

For the year ended 30 June 2015
(Previous corresponding period: to 30 June 2014)

SUMMARY OF FINANCIAL INFORMATION

	Note	2015 $'000	2014 $'000	Change $'000	Change %
Revenue from ordinary activities	1	60,880	48,295	12,585	26.1%
Loss from ordinary activities after income tax for the period attributable to members		(10,254)	(22,906)	12,652	nmf[1]
Loss after income tax attributable to members		(10,254)	(22,906)	12,652	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.

	2015 $'000	2014 $'000
Data centre services revenue	58,657	30,360
Data centre development revenue	-	15,470
Other revenue	2,223	2,465
Total revenue from ordinary activities	**60,880**	**48,295**

Dividends

No dividend has been proposed or declared in respect of the year ended 30 June 2015.

NTA Backing

	2015	2014
Basic net tangible asset backing per ordinary share	$1.09	$1.15
Diluted net tangible asset backing per ordinary share	$1.10	$1.15

The calculation of Basic Net Tangible Assets excludes loan funded shares as they are considered as Treasury Shares. The calculation of Diluted Net Tangible Assets includes loan funded shares where the price of the shares as at 30 June exceeded the issue price.

The number of NEXTDC shares (including loan funded shares) on issue at 30 June 2015 was 197,081,230 (2014: 196,831,230). Refer to Note 20 of the Financial Report for details of shares on issue.

Refer to the attached audited Financial Report for additional disclosures.

[1] nmf – Change in percentage is not meaningful

NEXTDC

FY15 ANNUAL REPORT

1 JULY 2014 TO 30 JUNE 2015

NEXTDC Limited ABN 35 143 582 521

FY15

1 JULY 2014 TO 30 JUNE 2015

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NEXTDC

Annual Report

FOR THE YEAR 1 JULY 2014 TO 30 JUNE 2015

FY15

Letter from the Chairman and CEO

Douglas Flynn
Chairman

Craig Scroggie
CEO

We welcome our shareholders to this year's Annual Report, which marks the end of the 2014-2015 financial year ("FY15") and another period of significant growth and strategic achievements. Last year we wrote about how NEXTDC realised a unique market position as Australia's only truly independent national data centre provider, as we evolve to take advantage of the digital revolution that is solidifying the central role data centres play in today's economy.

Today NEXTDC has become a technology pioneer, connecting Australia by facilitating the next generation of IT services, hosting the infrastructure of the nation's leading technology providers and supporting the local deployment of the world's largest cloud platforms.

Australia's fastest growing technology company

NEXTDC is enabling business transformation though innovative data centre outsourcing solutions, connectivity services and infrastructure management software.

FY15 saw NEXTDC achieve significant growth across key operational and financial metrics. The Company reported its first positive EBITDA[1], recording total EBITDA of $8.0 million, up $24.1 million on FY14 underlying EBITDA loss of $16.1 million[2]. NEXTDC also reported its first period of positive operating cash flow, recording a positive $6.9 million figure for the year, up $16.8 million on FY14.

During FY15 NEXTDC achieved new sales of 9.8MW (on a pro forma basis, including the Federal Government contract announced on 10 August 2015), increasing its contracted utilisation by 83% from 11.9MW at the end of FY14 to 21.7MW.

This included several major customer contracts, such as the Major International Customer for initial capacity of over 1MW at S1 announced in December 2014; a Leading Corporation for 4MW across M1 and S1 announced in June 2015; and the $35 million Federal Government contract announced after the end of FY15.

The high density requirements associated with these customer wins provides NEXTDC with the opportunity to utilise the Project Plus engineering program, which is expanding the Company's overall national capacity from 35MW to 42MW without the requirement for additional land, building or fit-out of additional data halls.

While many key strategic objectives have been met during the 2014-2015 financial year, we recognise the importance of creating value for our shareholders and we therefore continue to adopt a disciplined approach to capital allocation.

After the end of FY15, NEXTDC was successful in upsizing its undrawn senior secured debt facility with the Company's relationship bank, National Australia Bank ("NAB") from $20 million to $50 million.

The Board underwent further renewal in the past year. Non-Executive Director Ted Pretty resigned from the NEXTDC Board in March 2015. Mr Pretty made a significant contribution to the successful development of NEXTDC since joining the Board in 2011, shortly following the Company's IPO. Ted helped to transform NEXTDC from an entrepreneurial start-up to a nationwide business delivering positive operating cash flows.

In June 2015 we were very pleased to welcome Ms Elizabeth Gaines to the NEXTDC Board as a Non-Executive Director. Elizabeth has joined NEXTDC to assist the Company with its next phase of growth and strategic development.

1. EBITDA is a non-statutory financial metric representing earnings before interest, tax, depreciation and amortisation. Non-statutory financial metrics have not been audited.
2. FY14 underlying EBITDA excludes $4.9 million building development profit, $2.2 million in APDC distributions and gain on sale of securities, as well as $1.3 million in fund raising advisory fees.

NEXTDC is enabling business transformation though innovative data centre outsourcing solutions, connectivity services and infrastructure management software.

The Company's management team also underwent some renewal during the course of FY15. In November 2014, Mr Oskar Tomaszewski was appointed as NEXTDC's Chief Financial Officer, with responsibilities for the Finance, Human Resources and Legal services functions. The Company also appointed Mr David Dzienciol as Group Executive – Customer & Technology during the course of FY15, as well as Mr Michael Helmer as Company Secretary and General Counsel.

We believe the Company's renewed Board and executive staff have the strength, independence and breadth of experience required to build long-term shareholder value.

Enabling the digital revolution

Our work has now shifted towards systematically growing and building value in our ecosystem, because it's where our customers can make new business connections, expand their solution offerings and extend their reach. In today's digital world, the ability to interact and do business with new communities within one national, neutral ecosystem is the future of commerce.

In September 2014 NEXTDC released the Quarter Rack product to support the growing needs of the small and medium business markets, and in November launched FastStart colocation bundles to offer flexible, pay-by-the-month consumption options for the first time in the Australian market.

In the age of cloud computing, businesses of all sizes are demanding flexibility from their data centre service, and to remain Australia's most innovative data centre provider, NEXTDC is improving and expanding our industry-leading products and services with customisable solutions. This flexibility allows our customers and partners to make a seamless transition to cloud and colocation, and scale their infrastructure investment as their business needs evolve.

In this publication last year we announced the development of a new interconnection product and the next generation of Data Centre Infrastructure Management (DCIM) platforms, and we're pleased to say this commitment has been fulfilled. NEXTDC has created two new lines of business: AXON Systems, which offers AXONVX, delivering secure, elastic connections via a dynamic, high-speed switching fabric; and ONEDC Software, developer of the ONEDC cloud-platform for DCIM.

Significantly, the launch of the AXONVX switching fabric facilitates the national roll-out of private, high-speed connections to Microsoft Azure, and soon Office 365, via Microsoft Azure ExpressRoute at NEXTDC data centres, and is an early example of how AXONVX represents the future of Connectivity-as-a-Service.

NEXTDC is Where the cloud lives®

We also signed a number of other significant customer contracts in FY15, including with well-known national and international enterprises such as Microsoft for connections to their Azure public cloud platform via ExpressRoute; PCCW Global and its worldwide MPLS network; CenturyLink – the third largest telecommunications company in the United States; and global network provider CloudFlare. These partnerships continue the trend of the world's top IT providers utilising NEXTDC's national data centre network to provide services through our ecosystem of carriers, cloud and IT service providers, and demonstrates the value of our 'Where the cloud lives' philosophy.

Data sovereignty is an important consideration in this highly globalised world, and these companies' commitment to the Australian market addresses the concerns of many Australian businesses on data sovereignty. By ensuring their cloud platform is hosted locally, and accessed via a private, secure connection, they're comforted by the knowledge that their information is protected by Australian laws and not subject to foreign jurisdictions.

Dynamic partner ecosystem

NEXTDC's go-to-market model is centred on being 'Partner Preferred'. Our carrier and vendor neutrality has attracted a broad array of local and international partners to our business – carriers, cloud providers, outsourcers, integrators and many others. NEXTDC is committed to our partnerships and ensuring we work together to deliver innovative solutions for our customers.

One example is our relationship with CenturyLink, which has seen NEXTDC's national network of five data centres added to its global footprint, helping CenturyLink better service the Australian needs of its international customers and connect CenturyLink to its local clients to assist in building their Australian business. The addition of CenturyLink to the now more than 200 other leading technology and communications providers such as Optus and Telstra is further proof that NEXTDC hosts Australia's premier data centre partner ecosystem.

World-leading technical achievements

NEXTDC's engineering, project management and software development teams are key factors in our ongoing success, and this on-the-ground expertise is a fundamental point of difference to our competitors. Our people are designing, testing, monitoring and tuning next-generation data centres; engaging directly with end-customers to fulfil their technical requirements; and creating the future technology that will optimise their IT service at a game-changing new level.

In the past year our quality-first design philosophy saw NEXTDC win two of the world's most prized awards for data centres, the 2014 DatacenterDynamics APAC Award for "Innovation in the Mega-Data Centre"; and the 2015 Uptime Institute Brill Award for Efficient IT in the Product Solutions category for the Asia Pacific (APAC) region.

The Brill Award is recognition of our world-leading technical achievements and of our ability to use innovation to deliver exceptional reliability to our customers, through solutions that are both cost effective and highly efficient. The Brill Award is an insight into the amazing work that has gone into the products and services we are proud to provide every day.

Our people are our success

Creating great companies is a lot of hard work and we are fortunate to have a passionate and dedicated team of people who come to work every day to build on our shared achievements.

This would not be possible without the focus given to us by our company values that define our culture. They are not just words on a page – they are part of our DNA, and we are continually developing a workplace that promotes diversity and fosters a culture that recognises and celebrates the success of our team.

At NEXTDC we measure the success of our individual contributions against how we deliver on six clear strategic priorities that define our business strategy: Customer First; Living our Values; Ecosystem Growth; Portfolio Growth; Channel Preferred; and Innovation & Leadership.

We are delivering new platforms and systems to enable NEXTDC to accelerate and leverage our great work on the Company's transformation program to create a multi-product team based on a customer-first, shared-service mentality. Enabled by advanced technology, we will keep NEXTDC and subsidiaries at the cutting edge of IT innovation in Australia.

On behalf of NEXTDC Limited, we encourage you to read the following report that addresses our strategic approach to sound financial management as the Company continues on its impressive growth trajectory.

Thank you for your ongoing support and we look forward to meeting with those of you who are able to attend our upcoming Annual General Meeting (AGM).

Doug Flynn
Chairman

Craig Scroggie
CEO

About NEXTDC

Value proposition, business strategy, environment and social reporting

P1 Perth
Tier III certified for design and construction, ISO 9001 Certified.

NEXTDC value proposition and business strategy

About NEXTDC

NEXTDC is an ASX300-listed technology company enabling business transformation through innovative data centre outsourcing solutions, connectivity services and infrastructure management software.

NEXTDC's subsidiaries include AXON Systems, which offers AXONVX, a virtual exchange delivering secure, elastic connections via a dynamic, high-speed switching fabric; and ONEDC Software, developer of the ONEDC® cloud platform for data centre infrastructure management (DCIM) software.

As Australia's leading independent data centre operator with a national network of Tier III facilities, NEXTDC provides enterprise-class colocation services across the country, enabling our partners' hybrid cloud deployments through our Cloud Centre ecosystem: Australia's largest independent network of carriers, cloud and IT service providers.

NEXTDC's carrier and vendor neutrality is the foundation of the Company's channel-first sales model – delivering flexibility and scale to partners and end-customers with best of breed data centre services.

The dense interconnection environment inside NEXTDC's facilities is enhanced with the virtual connectivity delivered by AXONVX, through which customers can access cloud services on demand and achieve cost efficiencies via the elastic dial up, dial down service.

They trust their critical infrastructure to NEXTDC's expertly engineered data centres, which offer guaranteed reliability, specialist technical support and remote real-time management via ONEDC®.

Uniquely for Australia, NEXTDC's nationwide data centre footprint allows customers and partners to access nationally standardised services and benefit from unified management to ensure the quality, consistency and reliability of IT services and ensure the sovereignty of their data. NEXTDC is a technology pioneer, connecting Australia to the world's leading networks and cloud platforms and integrating the next generation of IT services, to enable NEXTDC's customers to take advantage of the extraordinary opportunities of the digitally interconnected world.

Vision and Mission

NEXTDC's vision is to help enterprises harness the digital age, improving our society through the advancement of technology.

NEXTDC's mission is to be the leading customer-centric data centre services company, delivering solutions that power, secure and connect enterprise.

NEXTDC's business features

Carrier and vendor neutrality

NEXTDC and its subsidiaries maintain true neutrality in the marketplace due to a channel-first sales strategy. The Company's position of carrier and vendor neutrality means that NEXTDC does not compete with its partners, which encourages more organisations to join the nationwide Cloud Centre community and leverage the diverse onsite connectivity options to develop integrated solutions for their customers. NEXTDC's position of complete neutrality extends to the connectivity services delivered by AXONVX and the ONEDC cloud platform, both of which are designed to be used in any data centre, anywhere.

Nationwide data centre presence

A key competitive advantage for NEXTDC is having a presence across the major Australian cities: Sydney, Melbourne, Brisbane, Canberra and Perth. The Company's nationwide data centre footprint is particularly appealing to global cloud providers and Australian IT service providers that want a single, nationwide data centre partner, tiered national pricing and consistent SLAs across all cities.

Technical innovation and expertise

NEXTDC's expert in-house engineering team add significant value with both their operational cadence and customer engagement on all non-standard design requirements. The same engineers who design and build the facilities also work with large enterprise customers to create solutions tailored for their specific needs.

Cloud connectivity

NEXTDC's Cloud Centre community is the largest independent network of IT service providers, carriers and cloud providers in Australia. Complementing the direct physical connections offered within NEXTDC facilities, the AXONVX virtual exchange enables customers to activate high-speed private connections to any number of carriers and cloud platforms on-demand.

Centralised data centre asset management

The ONEDC cloud platform is a new entrant into the DCIM Software-as-a-Service market. It uniquely enables customers to centrally manage their data centre assets providing a consolidated view of their infrastructure through a single pane of glass, whether it is located in NEXTDC data centres, third party facilities or their own premises.

Expanded sales pipeline through channel partners

Channel partners range between large international, domestic and regional channel partners, which are focussed on enterprise and government customers, and small to mid-sized local channel partners that are focussed on the SME market. Through NEXTDC's channel partners, which include Optus and Telstra, the Company effectively has an extended national sales team of over 4,000 promoting NEXTDC services.

Channel-first sales strategy

NEXTDC has the most extensive data centre partner program in Australia, centred on a channel go-to-market model that enables flexible solutions for end users.

The Company has more than 200 channel partners, including over 50 telecommunications providers. An extensive support program is provided to NEXTDC's customers and partners, with a tiered system of pricing and sales and marketing activity.

An example of NEXTDC's channel partner and customer ecosystem includes:

- Global cloud providers (that can't be named for security and confidentiality reasons).
- Large IT services providers: both local and regional, some of which also own their own data centre facilities, such as: Dimension Data, Fujitsu, NTT and Data#3.
- Telcos: NEXTDC has more than 50 domestic and international telco partners, including Optus, Telstra, AAPT, Vocus, TPG, CloudFlare, PCCW and a reciprocal partnership with CenturyLink.
- Specialist and mid-size IT managed service providers and cloud providers: such as Blue Central, Harbour IT, Cloud Plus, Thomas Duryea Consulting, Somerville Group, Connectivity IT, Fastrack, HighQ, Ping Co, Sundata, SureBridge IT, Brennan Voice & Data, and ZettaNet.
- IT consultants: such as Deloitte, Eventra and Data Centre Technologies.

Managed IT services and the integration of public and private clouds drive hybrid computing solutions, and are typically facilitated by integration-focussed channel partners, who combine NEXTDC's data centre services with their own networks and platforms.

Products and services

NEXTDC focuses on providing scalable, on-demand services to support outsourced data centre infrastructure and cloud connectivity for enterprises of all sizes, while delivering cost efficiency and agility.

Data-Centre-as-a-Service (DCaaS):

Hyper-scale colocation – secure, high-density data centre space with redundant power supply in enterprise-class facilities.

Connectivity-as-a-Service (CaaS):

- Elastic Cross Connect (EXC): A private, high-speed virtual connection from data centres to participating cloud platforms, services and carrier networks, delivered through AXONVX.
- (Physical) Cross Connect: A secure physical connection from rack to rack within a data centre.
- Cloud Centre: Online marketplace where customers can search the NEXTDC partner community for service providers.

Professional Services:

Referred to as NXTech, NEXTDC provides data centre professional services for the entire project life cycle, including technical advisory, migration planning, project management, deliveries, building, and operational infrastructure support.

Data Centre Infrastructure Management-as-a-Service (DCIMaaS):

The ONEDC cloud platform enables centralised management of data centre assets across any data centre; delivering real-time intelligence to decision-makers.

Awards and certifications

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 and certifications

Quality
ISO 9001

ISO 9001:2008

Quality Management System certification

Information
Security
ISO 27001

ISO 27001:2005

Information Security Management System (ISMS) certification

Australian Government
Department of Finance

Australian Government

Data Centre Facilities Supplies Panel Multi Use List for the provision of Data-Centre-as-a-Service (DCaaS)

Uptime Institute

Tier III certification

Industry awards

Brill Awards, Asia-Pacific

2015 Winner: Efficient IT in the Product Solutions category

Frost & Sullivan

2014 Australia Data Centre Service Provider of the Year

DatacenterDynamics Awards, Asia-Pacific

2014 Winner: S1 Sydney – Innovation in the Mega-Data Centre

Deloitte – Technology

2014 #1 Deloitte Technology Fast 50 Australia
2014 #6 Deloitte Technology Fast 500 APAC

Master Builders Association Excellence in Construction Awards

2014 Winner: S1 Sydney – Communications Buildings

ARN ICT Industry Awards

2014 Winner: Service Provider of the Year
2013 Winner: Sustainability
2013 Winner: Service Provider of the Year

WAiTTA INCITE Awards

2014 Merit Award Winner: P1 data centre – National iAwards
Finalist, Industry Domain – Industrial category

iAwards

2014 QLD and National Merit Award for ONEDC – Tools category

Lord Mayor's Business Awards

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

The data centre industry today: disruption and opportunity

Cisco predicts that over the next five years, data centre traffic will nearly triple as organisations are forced by the explosion in new 3rd Platform services and applications, such as social technology, mobile computing, cloud, big data and the Internet of Things to evolve ever more flexible and agile IT deployments.

This nexus of forces is driving both data centre upgrades and the construction of large-scale, cloud-enabled facilities, as well as the extensive consolidation and slow-down in construction of customer or enterprise owned in-house data centres, representing the evolution of the traditional, hardware-defined corporate data centre into the fully virtualised mega-data centre.

Over 90 percent of Australian and New Zealand CIOs agree the digital world is creating new, different and higher levels of risk, and two-thirds of CIOs globally report digital disruption is driving them to create new business models and bring new products and services to market faster than they ever have before.

Tectonic trends in the local and global IT industry are accelerating both disruption and opportunity in the growing domestic market. Australian organisations are forecast to spend $2.5 billion on data centre systems in 2015, up $200 million from 2014; and the Australian cloud computing market is expected to grow strongly from 2013 to 2018, averaging a substantial 30 percent CAGR.

Organisations are now anticipating an explosion in new services and applications built on mobile devices, cloud services, social technologies, and big data that take enterprise workloads to the next level. So, although cloud and compute costs are dropping all the time, data centre growth is trying to keep pace with the rate of growth of information and the demands to store it. Related to this trend is the central role the data centre plays to support the Internet of Things as it increasingly becomes a part of everyday business with its promise of anytime, anywhere connectivity.

In Australia total public IT cloud services spending is forecasted to grow by approximately $800 million over the next three years, about eight times the growth rate of the overall IT services market. PaaS and cloud storage services are booming, with a CAGR until 2018 forecast at over 40 percent and 30 percent respectively, driven by major increases in developers' cloud service adoption and big data-driven solutions.

According to Gartner Australia and New Zealand research director, Michael Warrilow, Australian organisations are moving the focus from workload to workflow and on 'what' rather than 'where' it operates – whether on-premise, in colocation or the cloud. Customers are no longer interested in building and managing their own IT infrastructure; they are looking for outcomes, and will pay for someone else to deliver them. The world of 'on demand' consumption economics is supporting the channel, because the future success of service providers comes from their ability to customise products for individual customers.

Impact of market growth demonstrated by NEXTDC

	30 June 2015	30 June 2014	30 June 2013
ECONOMIC INDICATORS			
Revenue pipeline (annualised, unweighted) [1,2]	$198m	$144m	$119m
Customers [3]	478	302	130
Cross connects [4]	2,893	1,488	513
Annualised contracted recurring revenue [5]	$69.6m	$41.7m	$30.7m
CAPACITY AND UTILISATION			
Operating facilities [6]	5	5	3
Installed capacity [7]	24.4MW	19.7MW	9.0MW
Contracted customer utilisation [2,8]	21.7MW	11.9MW	9.7MW
% of installed capacity	89%	59%	109%
Active customer utilisation [9]	14.0MW	10.6MW	2.4MW
% of installed capacity	57%	54%	27%

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. This value is pro forma adjusted to remove the Federal Government contract announced on 10 August 2015.
3. Customers: the number of counterparties (including partners) which have executed a Master Services Agreement with NEXTDC.
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. This has not been adjusted for contracted price increases over time. It 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.

Environmental Sustainability

Environmental objectives

NEXTDC is dedicated to reducing our impact on the environment and natural resources. 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.

Environmental Indicators	30 June 2015	31 Dec 2014	30 June 2014	31 Dec 2013
Power Usage Effectiveness (PUE) [1]	1.51	1.61	1.90	-
Total Scope 1 emissions(tCO_2e) [2]	86	78	247	98
Total Scope 2 emissions (tCO_2e) [3]	30,931	24,900	17,522	10,575
Total water consumption (kL) [4]	37,359	29,043	27,847	16,794

1. 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 proximate to the reporting date. 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 are 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.
3. Total Scope 2 emissions are 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. Total of water drawn from water grids and rain consumption from all data centres during the period. Water consumed is predominately used for evaporative cooling.

National Greenhouse and Energy Reporting (NGER)

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. NEXTDC monitors its carbon emissions for reporting and has applied to be registered under the National Greenhouse and Energy Reporting Act ("NGER").

National Australian Built Environment Rating System (NABERS)

NEXTDC was one of the original signatories to NABERS for Data Centres, and has begun 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.

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 solar array in Australia. In FY15, it produced 493MWh in renewable energy, which provided an off-set of over 580 tonnes of CO^2 per annum, equivalent to the carbon generated yearly by over 170 cars. The array produced around two percent of the electricity that NEXTDC's customers used at M1. It also 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.

City of Melbourne renewable energy initiative

NEXTDC has joined forces with the City of Melbourne as part a group of large energy users that have signalled their interest in testing a new approach to drive investment in renewable energy.

According to the City of Melbourne, the group, which includes NEXTDC; City of Maribyrnong; City of Yarra; Federation Square; Mirvac; and bankmecu, has a collective energy consumption of around 100 GWh worth of energy, which under current market conditions is equivalent to around 250,000 solar panels or 15 wind turbines.

The City of Melbourne has a target of sourcing 25 percent of the municipality's electricity from renewables by 2018.

NEXTDC's Chief Operating Officer Simon Cooper was a keynote presenter at the City of Melbourne's event Melbourne solar leaders: making the business case work as part of their 'Creating a solar Melbourne' project, and represented NEXTDC as a finalist in the City of Melbourne's 2014 Melbourne Awards for the Company's commitment to sustainability.

Efficiency (waste, water, energy)

A key element of NEXTDC's data centre design has been energy efficiency and NEXTDC's future designs will continue this trend. 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.

Water consumption is primarily used for evaporative cooling. Reliance on utility supplied water is reduced by the implementation of on-site rain water collection. Approximately four percent of total water consumption was provided by collected rain water.

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

Awards

NEXTDC was one of 15 winning organisations worldwide in the second annual Brill Awards for Efficient IT. NEXTDC was awarded in the Product Solutions category for the APAC region – the only Product Solutions award globally for 2015.

Brill Awards for Efficient IT™ 2015
Uptime Institute®

The Brill Award is recognition of NEXTDC's world-leading technical achievements and of our ability to use innovation to deliver exceptional reliability to our customers, through solutions that are both cost effective and highly efficient. Our focus for the Brill Awards was one of the key differentiators of our data centre design: the power system utilising Piller DRUPS-IP, which NEXTDC developed in a segregated and modular form to achieve better resilience.

NEXTDC's S1 Sydney data centre, designed in partnership with Arup, has taken top honours at the inaugural 2014 DatacenterDynamics APAC Awards, for Innovation in the Mega-Data Centre, from a field of finalists including NTT and Tencent – two of the world's largest telecommunications companies.

DatacenterDynamics AWARDS

S1 was lauded as a technologically outstanding facility, particularly in regards to its target PUE of 1.3 at peak load. Judges highlighted the utilisation of Piller's advanced Iso-Parallel Bus electrical distribution system supported by Piller's Diesel Rotary UPS (DRUPS), which can generate power on-site to ensure service continuity and stability of supply at all times. Free cooling, both air-side and water-side, is incorporated to minimise energy usage.

NEXTDC's M1 Melbourne data centre was also recognised as one of the four finalists in the 'Green' data centre category and the only finalist from Australia, gaining a finalist position at the 2014 DatacenterDynamics APAC awards because of its exceptional energy efficiency and 400kW rooftop photovoltaic solar array, which makes M1 the first data centre in APAC to use solar power as a supplementary energy source.

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.

Social Sustainability

NEXTDC people

At 30 June 2015, NEXTDC had 163 employees, all directly employed by the Company. NEXTDC makes limited use of self-employed workers and no workers are covered by enterprise agreements.

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

	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Headcount[1]	163	139	85	54
BY DIVISION				
Corporate (executive, finance, legal, people and culture)	22	19	20	12
Sales and marketing	28	27	24	18
Technology	23	13	9	7
Project management and engineering	15	13	10	9
Facility operations	37	30	22	8
Concierge (security and service management)	38	37	-	-
Turnover rates[2]	17%	17%	16%	10%

1. Headcount: The number of employees as at the end of the reporting period (includes part-time employees)
2. Turnover rates: The average regretted voluntary turnover rate for the reporting period

Employee engagement

Having an engaged workforce is vital to achieving our strategic objectives on an ongoing basis. Employee feedback is requested on a regular basis both through formal employee engagement surveys and informal feedback requests. This feedback is then used to determine the areas of focus for the business to improve the level of employee engagement across the company.

Culture

NEXTDC are continually developing a workplace that promotes diversity and fosters a culture that recognises and celebrates the success of our team. We recruit from our peoples' personal networks and encourage flexible working conditions to attract and retain the industry's best talent. We create a fun and interesting workplace where we invest in our team and celebrate their achievements.

NEXTDC participates in the Workplace Gender Equality Annual Compliance Reporting and is compliant with the Workplace Gender Equality Act 2012.

Ethics

NEXTDC's employees are provided training in adhering to the Code of Conduct, Information Security, and Securities Trading policies.

Our values define our culture, they are not just words on a page – they are part of our DNA. We live our values and they guide and define 'true north':

Excellence
we are relentless in our pursuit of excellence, not perfection

Oneteam
we are a team, like pro sports athletes, committed to excellence

Innovation
people who never made mistakes never tried anything new

Communication
we practise the art of mindful listening so we can better understand

Efficiency
we stay nimble by minimising complexity

Customer
we have an obsessive customer-first focus in everything we do

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.

Workplace Health & Safety (WHS)

NEXTDC, as the operator of five data centre sites, takes the health and safety of our employees seriously. We are pleased to report that we had a low number of incidents reported for the year. There was only one notifiable incident which required medical treatment and which resulted in loss of time due to the injury sustained.

The Company's WHS Committee meets monthly 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 required, additional training such as first aid or high voltage safety training is provided. WHS policies and procedures are regularly reviewed and updated.

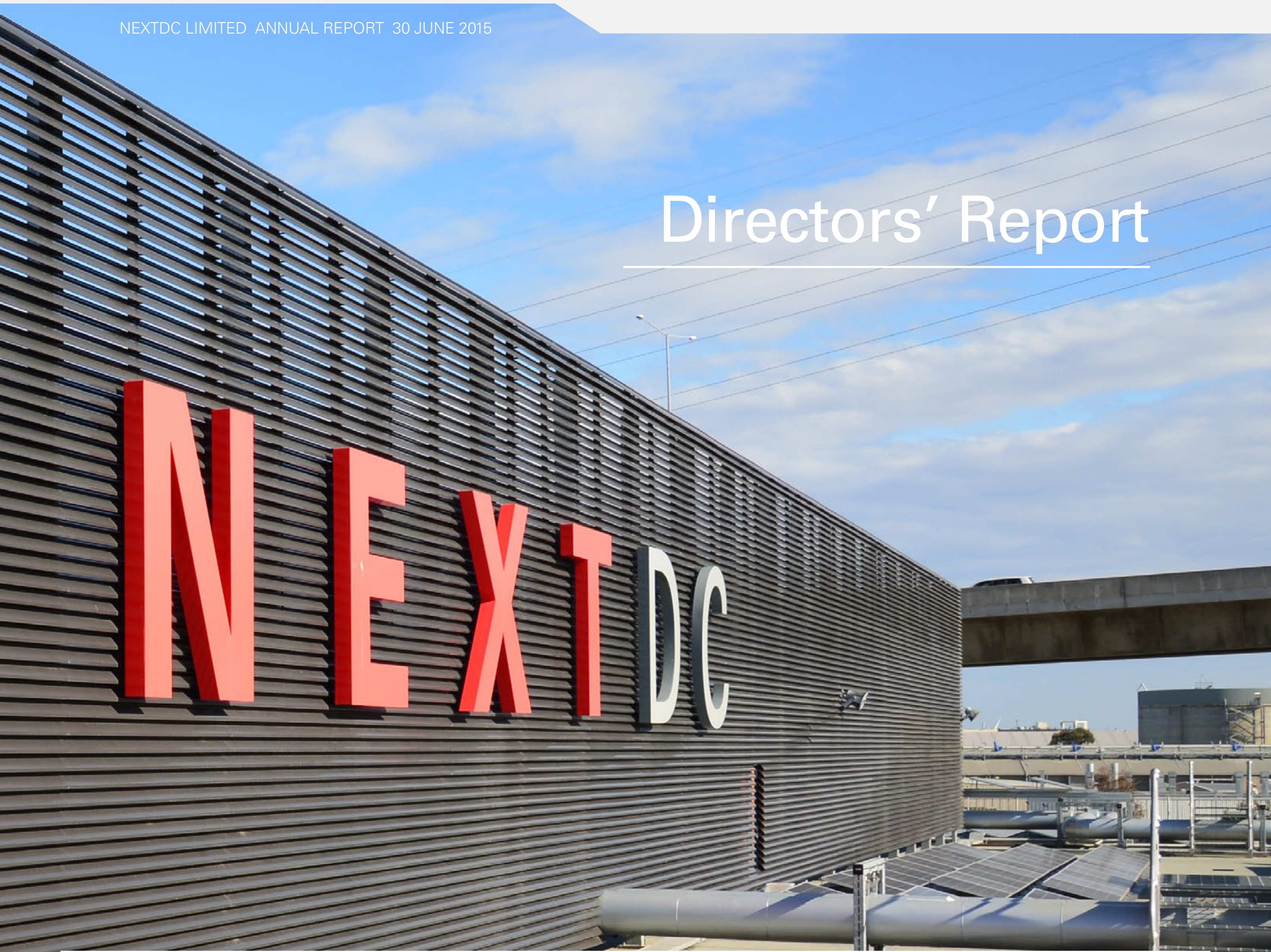
Supporting Australian industries

As a neutral hub for cloud computing, NEXTDC's facilities are purpose built to enable broad industry participation across a range of sectors. NEXTDC presently has an ecosystem of over 50 telecommunications carriers and a plurality of local and international Infrastructure-, Platform-, Application-, Software- and Network-as-a-Service providers. Many of these providers are Australian companies, who in turn are powering the cloud computing revolution in Australia with their own diverse and evolving service offerings.

While certain materials are of a highly specialised nature and are not produced domestically, NEXTDC purchases specialised equipment from Australian based subsidiaries. These subsidiaries also undertake installation, further testing and commissioning within Australia and utilise Australian labour where possible and Australian subcontractors.

NEXTDC actively seeks to enhance and promote mutual research and development possibilities and strategic partnerships with our suppliers.

Directors' Report



The directors present their report on the consolidated entity (referred to hereafter as 'NEXTDC', the 'Company' or 'the Group') consisting of NEXTDC Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015.

Directors

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

- **Douglas Flynn**
- **Stuart Davis**
- **Gregory J Clark**
- **Edward (Ted) Pretty** (resigned 20 March 2015)
- **Elizabeth Gaines** (appointed 24 June 2015)
- **Craig Scroggie**

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:

- ✓ Reported its first positive EBITDA and operating cash flow result
- ✓ Undertaken work to upsize its senior debt facility from $20.0 million to $50.0 million (August 2015)
- ✓ Contracted 9.8MW of new capacity (including the Federal Government contract announced 10 August 2015)
- ✓ Expanded its target network footprint from 35MW up to 42MW via Project Plus
- ✓ Launched a number of new products and services, such as Quarter Racks, FastStart colocation bundles, AXONVX, our new virtual connectivity exchange and ONEDC SaaS DCIM.

Financial performance and position

NEXTDC achieved a number of milestones and enjoyed a period of strong growth in the 12 months to 30 June 2015.

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 $30.4 million to $58.7 million.

Net loss after tax was $10.3 million (2014: $22.9 million loss). Non-statutory underlying earnings before interest, tax, depreciation and amortisation (EBITDA) improved from a loss of $16.1 million[1] in FY14 to a gain of $8.0 million in FY15.

During the year, $29.6 million was invested in plant and equipment.

Funding

Post 30 June 2015 year end, NEXTDC was successful in upsizing its undrawn senior secured debt facility from $20.0 million to $50.0 million. As at the date of this report, the facility was undrawn.

Cash, cash equivalents and term deposits at 30 June 2015 totalled $52.9 million (2014: $70.8 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 470 at 30 June 2015.

During FY15 NEXTDC increased its contracted utilisation by 83% on a pro forma basis (including the Federal Government client announced on 10 August 2015) ("*pro forma*") from 11.9MW at the end of FY14 to 21.7MW.

Customer utilisation of the M1 Melbourne facility has increased from 43% to 76% of the total power capacity (15.0MW) during the period from 1 July 2014 to 30 June 2015 *pro forma*, an increase from 6.4MW to 11.4MW. Work has commenced on construction of M1 Melbourne's sixth and final hall, which would bring total available capacity up to 15.0MW at M1.

B1 Brisbane continues to operate profitably and has increased customer utilisation based on power capacity (2.25MW) from 69% (1.5MW) at 1 July 2014 to 79% (1.8MW) at 30 June 2015 *pro forma*.

S1 Sydney's customer utilisation, based on total target power capacity of 14.0MW, has increased from 26% (3.7MW) to 55% (7.7MW) *pro forma*. At the date of this report, 8.7MW capacity has been installed out of a total target capacity of 14.0MW.

P1 Perth's customer utilisation, based on total target power capacity of 6.0MW, has increased from 3% (0.2MW) to 11% (0.7MW) at 30 June 2015 *pro forma*. At the date of this report, 2.7MW capacity has been installed out of a total target capacity of 6.0MW.

On 9 July 2014, the Company announced that it had been admitted to the Australian Government Data Centre Facilities Supplier Panel, which allowed it to contract for data centre services to Federal Government departments at C1 Canberra and each of the other facilities around the country. Since appointment to the panel, we signed new contracts at C1 with the Australian Electoral Commission and the Australian Prudential Regulation Authority. Customer utilisation increased from 2% (0.1MW) to 3% (0.2MW) of target power capacity (4.8MW) *pro forma*.

NEXTDC is deriving revenue from numerous product sources including white space, rack ready services, establishment service fees and add-on services. During FY15 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 sales operating cost base.

Continuous innovation

Over the last 12 months, NEXTDC has continued to develop its internal systems and processes to allow for scalability across its solution offerings.

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.

During the year, NEXTDC announced Project Plus, an engineering solution allowing for the expansion of the maximum power capacity across the five data centres to be increased from 35MW to up to 42MW without the requirement for additional land, building or fit-out of additional data halls.

NEXTDC continues to develop new product solutions for customers and partners, such as ONEDC®, the Company's Data Centre Infrastructure Management platform, and AXONVX, which offers secure, elastic connections via a dynamic, high-speed switching fabric.

1. Excluding $4.9 million building development profit, $2.2 million in APDC distribution and profit on sale of securities as well as $1.3 million in fund raising advisory fees

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; and
- Launch of new products.

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

Business risks

NEXTDC is committed to having a sound risk management framework and recognises it is not only an important component of good corporate governance, but is also fundamental in achieving strategic and operational objectives and meeting legislative, industry and client obligations. NEXTDC has implemented a risk management framework consistent with the international risk standard ISO 31000 which ensures a systematic approach is used to identify and assess risks, and determine treatment plans to manage, transfer and avoid risks.

NEXTDC has identified the following economic, environmental and social sustainability risks which may have an effect on NEXTDC's prospects for future financial years:

- *Customer Demand*: Development of new and existing data centres is capital intensive and sometimes undertaken without pre-sales commitment from customers, and there is a risk that there is not enough customer demand to achieve a sufficient return on investment. NEXTDC's business model to become the largest independent, carrier neutral channel ecosystem in the region aims to combat this risk as we present to the market a solution which provides more value added services and ecosystem benefits than our competitors. NEXTDC's next-generation of data centres will be built to allow a more scalable fit-out in accordance with demand growth which will result in a lower initial capital outlay. We are also aiming to increase sales by developing complementary products and services.
- *Funding*: NEXTDC's business is capital intensive in nature and the continued growth relies on the acquisition and development of new and existing data centres, along with investment in new technologies. Failure to obtain sufficient capital on favourable terms may hinder NEXTDC's ability to expand and pursue growth opportunities, which may reduce competitiveness and have an adverse effect on financial performance. To address this risk, NEXTDC has sought to obtain funding from various sources in order to not become over-reliant on any one form of funding, and is also developing products and services that are complementary to our Data-Centre-as-a-Service (DCaaS) offering.
- *Meeting Customer Requirements*: Some of our customers and channel partners are large, well established businesses. Not delivering the appropriate solution within the required timeframe to meet their requirements could significantly impact our brand reputation as well as the ability to win further opportunities. To minimise this risk, NEXTDC engages its in-house engineering and project management teams to ensure the customer is provided with the optimal solution.
- *Cyber Risk*: According to various recent industry cyber risk reports, cyber incidents and their financial impacts are increasing significantly year on year and cyber criminals are targeting small and large businesses alike. To mitigate these risks, NEXTDC has implemented an information security management system based on ISO 27001 as well as undertaken ongoing penetration and vulnerability tests.
- *Physical Security Breach*: NEXTDC customers rely on our physical security to prevent unauthorised access to the space where their equipment resides. A physical security breach to a customer's space could result in irreversible reputational damage, impact on future opportunities and the ability to retain existing customers. Therefore, our facilities are protected by layers of security systems and protocols designed to limit access to areas within the data centres only to those with the appropriate authorisation.
- *Unable to Provide Service*: A catastrophic failure at a NEXTDC data centre could result in not being able to provide power and cooling to support our customers' equipment, thus breaching our service level agreements. To address this risk, all of NEXTDC's data centres are designed and built with sufficient redundancy in place (including redundant paths for power and cooling) to enable components to go off-line to be maintained without affecting our customers' IT equipment.
- *Technology Advances*: NEXTDC operates in a competitive sector, and failure to keep up to date with the latest technology could result in reputational damage and a downturn in customer demand. To mitigate this risk, the Company promotes mutual research and development projects and strategic alliances with our suppliers, regularly attends industry conferences and are members of the Uptime Institute, an independent thought leader and certification body in IT and data centres.
- *Health and Safety*: Data centres are workplaces where employees and contractors may be subject to various health and safety risks, such as, but not limited to, exposure to high voltage, construction zones, manual handling and working at heights which could result in death or permanent disability. To address these risks, access to areas where these types of safety risks exist is restricted to allow only those workers who have appropriate licences and training. Permits to work, including Safe Work Method Statements and proof of insurance are required prior to any works commencing.

- *Energy Usage and Emissions*: Due to the nature of our business, as our customer loads increase year on year, so too will our energy usage and emissions, which may result in NEXTDC being perceived to be having a negative impact on the environment. To counter this risk, NEXTDC has invested significantly in improving energy efficiencies, implementing initiatives such as solar power and rainwater collection to reduce the overall impact on the environment. The Company also benchmarks its Power Usage Effectiveness against peers to achieve industry best practice.
- *Staff Culture*: Poor staff culture has the potential to derail the Company's strategic priorities through high staff turnover or unethical behaviour, either of which could impact on customer trust and confidence. In order to reduce these risks, NEXTDC requires all staff to undergo Code of Conduct training and pursuant to the Company's Whistle-blower Policy, employees are encouraged to come forward and report if they see any unethical behaviour.

Significant changes in the state of affairs

Other than what has already been mentioned in this report, there have been no further significant changes in the state of affairs of the Group during FY15.

Matters subsequent to the end of the financial period

Subsequent to the end of FY15, NEXTDC was successful in upsizing its undrawn senior secured debt facility with the Company's relationship bank, National Australia Bank ("NAB") from $20.0 million to $50.0 million.

On 10 August 2015, NEXTDC announced that it had entered into a material new contract for the provision of data centre services with a Federal Government customer. The contract is for operation over a six year term with options for extension, and is valued at approximately $35.0 million before factoring in any revenue derived from power recharge.

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 access to expanded sources of capital, 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 significant environmental regulation in respect of its data centre operating activities as set out below.

Greenhouse gas and energy data reporting requirements

NEXTDC monitors its carbon emissions for reporting and has applied to be registered under the National Greenhouse and Energy Reporting Act ("NGER").

Insurance of officers

During the period, NEXTDC Limited paid a premium of $36,771 (2014: $21,841) 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.

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 APN Outdoor 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. In 1995 he was appointed the Managing Director of News International Plc. He has also served as independent director at Seven West Media Limited.

After leaving News International in 1998, Doug joined Aegis Group Plc and was appointed as CEO in 1999. 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 positions:
- APN Outdoor (November 2014 – present)
- iSentia Group Limited (May 2014 – present)
- Konekt Limited (June 2012 – present)

Former directorships

- Seven West Media Limited (August 2008 to September 2014)

Special responsibilities

- Chairman

Interests in shares and options

Doug holds 70,000 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 822,714 fully paid ordinary shares, 1,768,093 shares via the NEXTDC Loan Funded Share Plan and 505,618 performance rights.

Stuart Davis

Non-Executive Director (since September 2013)

Experience and expertise

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

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

Former directorships

Stuart previously held directorships with subsidiaries of HSBC Group until 2012.

Special responsibilities

- Chairman of the Audit and Risk Management Committee

Interests in shares and options

Stuart holds 20,000 fully paid ordinary shares in NEXTDC Limited.

Elizabeth Gaines

Non-Executive Director (since June 2015)

Experience and expertise

Elizabeth was appointed to the Board in June 2015.

Elizabeth brings extensive governance and operational experience as a group executive running large businesses and a proven track record in international business and financial leadership.

Elizabeth has international experience in all aspects of financial and commercial management at a senior executive level in both listed and private companies including extensive merger and acquisition and funding experience.

Elizabeth is the CEO of Helloworld Limited and has undertaken extensive work in digital businesses developing significant experience in the impact of the growth in Asian economies on the Australian business environment.

Elizabeth holds a Master of Applied Finance degree from Macquarie University and is a member of Chartered Accountants Australia and New Zealand, the Australian Institute of Company Directors, and Chief Executive Women.

Other current directorships

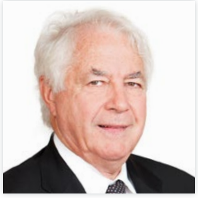
- Executive Director of Helloworld Limited (since 28 March 2014)
- Non-Executive Director of Fortescue Metals Group Limited (from February 2013)

Former directorships

- Non-Executive Director of Mantra Group Limited (June 2009 to November 2014)

Interests in shares and options

Nil



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 was previously on 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 marketplace.

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

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

While at News Corporation and Loral Space and Communications, Dr Clark was Chairman and/or on the Board of a number of wholly owned subsidiaries including Globalstar, SatMex, Skynet, 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 holds 16,901 fully paid ordinary shares in NEXTDC Limited.

Company secretary

The company secretary at the end of the financial year was Michael Helmer.

Michael is also the General Counsel of NEXTDC Limited.

Michael has over 18 years experience in the legal sector and, until joining the Company, was serving as Director of Legal Services (Asia Pacific) for global software maker Symantec, where he and his team were responsible for advising on compliance, licensing, litigation, privacy and cybersecurity issues throughout the region as well as supporting the regional leadership, sales and engineering teams.

Previously Michael was based in London at specialist technology and IP firm Field Fisher Waterhouse. Michael has held senior legal roles in Barclays, Coles Myer and was General Counsel at European on-line shopping site shopsmart.com as well as at Australian anti-malware maker PC Tools.

Michael has practised extensively in the areas of technology, data security, privacy, corporate commercial, licensing and fast-moving consumer goods (FMCG).

He has obtained a Bachelor of Laws, Bachelor of Science (Monash) and is admitted as a legal practitioner in Australia and in England and Wales. Michael is a member of the Australian Corporate Lawyers Association (ACLA) and has served as their Victorian President as well as a member of its National Board (2012 to Nov 2014). Michael is also an Australian member of the Association of Corporate Counsel.

Edward (Ted) Pretty

Non-Executive Director

Experience and expertise

Mr Edward Pretty was in office as a Non-Executive Director from the start of the financial year until his resignation on 20 March 2015.

Ted Pretty is a leading business executive 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.

Former directorships

- Director of Hills Limited (Sep 2012 to May 2015)

Meetings of directors

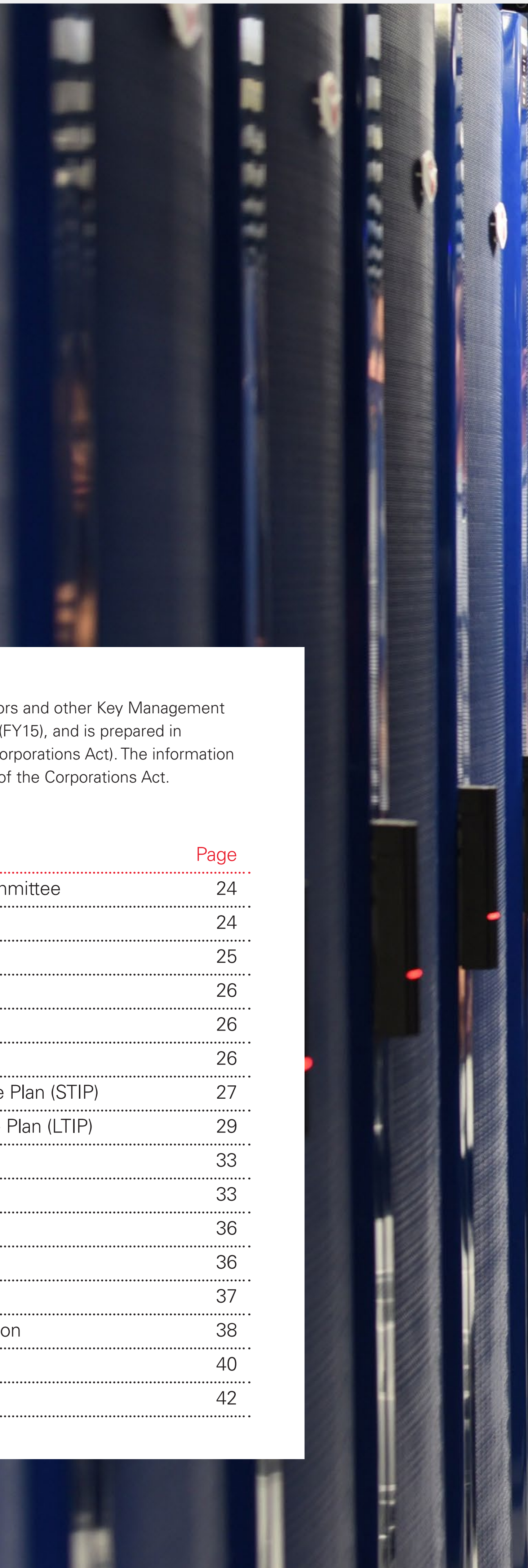
The number of meetings of the Company's Board of Directors and of each board committee held during the period, and the number of meetings attended by each director are as follows:

			Meetings of committees			
	Full meetings of directors		Audit and risk management		Remuneration and nomination	
	A	B	A	B	A	B
Douglas Flynn	11	11	2	2	2	2
Stuart Davis	11	11	2	2	1	1
Gregory J Clark	11	11	1	1	2	2
Craig Scroggie	11	11	N/A	N/A	N/A	N/A
Ted Pretty[1]	8	8	2	2	1	1
Elizabeth Gaines[2]	1	1	N/A	N/A	N/A	N/A

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. Ted Pretty was a director until 20 March 2015
2. Elizabeth Gaines has been a director since 24 June 2015

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 2015 (FY15), 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 Chair of the Remuneration Committee

Welcome to NEXTDC's 2015 Remuneration Report, which details how both Company and individual executive performance appropriately links to remuneration outcomes for the 2015 financial year. Additionally, this report is intended to communicate additional refinements to our remuneration policy that are aimed to further strengthen the alignment between shareholder returns and performance related remuneration whilst at the same time observing corporate governance best practice and feedback received by shareholders and their advisers.

In 2015 NEXTDC achieved a number of key performance milestones:

- Revenue from data centre services grew 93% from $30.4 million in FY14 to $58.7 million in FY15;
- Non-statutory underlying earnings before interest, tax, depreciation and amortisation (EBITDA) improved from a loss of $16.1 million[1] in FY14 to a gain of $8.0 million in FY15;
- Operating cash flow improved from an outflow of $10.0m in FY14 to an inflow of $6.9m in FY15; and
- Contracted utilisation grew 83% on a pro forma basis (including the Federal Government contract announced 10 August 2015) ("pro forma") to 21.7MW at 30 June 2015 on the back of FY15 pro forma sales of 9.8MW.

These headline achievements broadly underpin the annual bonus payments made to Senior Executives for the FY15 performance period.

1. Excluding $4.9 million building development profit, $2.2 million in APDC distribution and profit on sale of securities as well as $1.3 million in fund raising advisory fees

Upon considerable re-structuring of the Company's remuneration policies and practices in 2014, shareholders overwhelmingly supported the resolution to approve the remuneration report at last year's Annual General Meeting (AGM), with 98 percent of votes cast in favour of the resolution.

Irrespective of the shareholder support received, the Remuneration Committee acknowledges that additional improvements can be made to the Company's remuneration structure to further align it with shareholder expectations and corporate governance best practice. Some additional refinements have therefore been considered for implementation in the 2016 financial year.

Briefly, these changes to NEXTDC's remuneration structure include:

- Introduction of clawback provisions to the Short Term Incentive Plan and the Long Term Incentive Plan.
- Introduction of a recommended shareholding guideline for Non-Executive Directors.

We look forward to further engagement with our shareholders and continue to welcome your comments on our remuneration policies and practices.

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.

Non-Executive Directors

Name	Position
Douglas Flynn	Non-Executive Chairman Member of the Audit and Risk Management Committee Member of the Remuneration and Nomination Committee
Stuart Davis	Non-Executive Director Chair of the Audit and Risk Management Committee Member of the Remuneration and Nomination Committee
Gregory J Clark	Non-Executive Director Chair of Remuneration and Nomination Committee Member of the Audit and Risk Management Committee
Elizabeth Gaines (appointed 24 June 2015)	Non-Executive Director Member of the Audit and Risk Management Committee Member of the Remuneration and Nomination Committee
Edward (Ted) Pretty (resigned 20 March 2015)	Former Non-Executive Director Former Member of Audit and Risk Management Committee Former Member of the Remuneration and Nomination Committee

Senior Executives

Name	Position
Craig Scroggie	Chief Executive Officer, Executive Director
Simon Cooper	Chief Operating Officer
Oskar Tomaszewski (from 3rd November 2014)	Chief Financial Officer
David Dzienciol (from 7th July 2014)	Group Executive – Customer and Technology
Adam Scully	Group Executive – Sales and Marketing

3. Response to shareholder feedback

At the 2014 annual general meeting the Company received considerable support for its revised remuneration policies with 98% of votes cast in favour of the resolution to approve the 2014 Remuneration Report.

During 2015, NEXTDC has sought continued input from:

- Shareholders;
- Proxy advisors and stakeholder group representatives such as the Australian Council of Superannuation Investors.

In engaging with these parties, additional suggestions for improvement have been received during 2015. In the interest of meeting the requirements of shareholders, such feedback has resulted in continuing discussion around the appropriateness of current remuneration policies and practices, which has resulted in some minor refinements.

- The Base Package for CEO, Craig Scroggie, was not increased during the 2015 financial year, nor will it be changed for the upcoming 2016 financial year. The Company anticipates conducting a peer benchmarking exercise for senior executive base salaries in advance of the 2017 financial reporting period.
- It was considered whether the introduction of a secondary long term incentive (LTI) performance measure is appropriate. Upon thorough deliberation, it was concluded that a secondary measure is not considered appropriate at this time, with regard for the Company's current stage of growth and development. The Remuneration Committee is committed to reassessing the potential introduction of a secondary LTI measure on a continuing basis.
- Formal clawback and malus provisions will be adopted in FY16 for both the STI and LTI pay schemes.
- From the 2016 financial year, it will be recommended that Non-Executive Directors accumulate an exposure to Company shares over the next three years, on their own accord, equivalent in value to one times their annual fees.

Shareholders may wish to reference the following remuneration-related policy documents, which may be viewed on the Company website at www.nextdc.com/our-company/investor-centre/documents/corporate-governance:

- Remuneration and Nomination Committee Charter;
- Securities Trading Policy;
- Senior Executive Remuneration Policy and Procedure;
- Non-Executive Director Remuneration Policy and Procedure;
- Short Term Incentive Policy and Procedure; and
- Long Term Incentive Policy and Procedure.

4. Overview of remuneration governance framework

The following outlines the remuneration framework and a summary of their content as applicable for the 2015 financial year:

4.1 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 comprised 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 the median 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 the 75th percentile 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;
- 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.

4.2 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 median 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 the 75th percentile of the market of comparable ASX listed companies;
- Any Non-Executive Director remuneration package that contains securities should fall at or below the 75th percentile 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.

4.3 Variable Remuneration – Short Term Incentive Plan (STIP)

FINANCIAL YEAR 2015 SHORT TERM INCENTIVE (STI) PLAN

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.

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 had 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 are applied and the relevant weightings are applied for the FY15 year. 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 the Company's underlying profitability at this stage of its development, (b) New kilowatts committed is connected to the volume of sales and expected future revenues, and (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.

FINANCIAL YEAR 2015 SHORT TERM INCENTIVE (STI) PLAN

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 was determined following audit sign-off of the accounts. STIs are 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: a. The STI award opportunity for the Measurement Period will be pro-rata reduced to reflect the portion of the Measurement Period worked, and b. 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.
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.
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.

FY16 STI Plan

For the 2016 financial year the Company will implement the following change to the STI Plan:

- The introduction of formal clawback and malus provisions whereby the Remuneration Committee retains the ability to reduce or clawback awards where the participant has acted fraudulently or dishonestly or is in material breach of their obligations to the Company; or where the Company becomes aware of material misstatement or omission in the financial statements of the Company; or any circumstances occur that the Committee determines to have resulted in an unfair benefit to the recipient.

Aside from the aforementioned amendments, the terms and performance requirements pursuant to the FY16 STI Plan are expected to remain consistent with those applicable to participants in the FY15 STI Plan.

4.4 Variable Remuneration – Long Term Incentive Plan (LTIP)

<table>
<tr><th colspan="2">FINANCIAL YEAR 2015 LONG TERM INCENTIVE (LTI) PLAN</th></tr>
<tr><th>Aspect</th><th>Plan Rules, FY15 Offers and Comments</th></tr>
<tr><td>Purpose</td><td>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).</td></tr>
<tr><td rowspan="3">Incentive Rights</td><td>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.</td></tr>
<tr><td>FY15 OFFERS
Performance Rights</td></tr>
<tr><td>COMMENTS
The initial priority of the Board is to have a strongly performance focused LTI plan.
Although Performance Rights are currently being offered under the scheme, there is scope 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.</td></tr>
<tr><td rowspan="3">LTI Value</td><td>PLAN RULES
The Board has discretion over the value of LTI to be offered.</td></tr>
<tr><td>FY15 OFFERS
For Senior Executives who are key management personnel the target LTI value was set at 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). 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.</td></tr>
<tr><td>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.</td></tr>
<tr><td rowspan="3">Measurement Period</td><td>PLAN RULES
The Measurement Period is three years unless otherwise determined by the Board.</td></tr>
<tr><td>FY15 OFFERS
The Measurement Period is the three financial years from 1 July 2014 to 30 June 2017.</td></tr>
<tr><td>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 alignment with shareholder value creation.</td></tr>
</table>

FINANCIAL YEAR 2015 LONG TERM INCENTIVE (LTI) PLAN

Aspect	Plan Rules, FY15 Offers and Comments

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.

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 any LTI offers as good governance practice does not support the practice of 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.

FINANCIAL YEAR 2015 LONG TERM INCENTIVE (LTI) PLAN

Aspect	Plan Rules, FY15 Offers and Comments
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 exercised 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 pro-rated for time served during the performance period. 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 provisions of the Corporations Act governing termination benefits to company executives. **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.
Change of Control of the Company	**PLAN RULES** A change in control event is defined to occur when the Board recommends a takeover offer be accepted by shareholders. In the event of a change in control unvested Incentive Rights will by default vest in the same proportion as the Share price has increased since the beginning of the Measurement Period, albeit the incumbent Board also retains discretion over the treatment of any unvested Incentive Rights. **FY15 OFFERS** No variation. **COMMENTS** Plan rules provide 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.

FINANCIAL YEAR 2015 LONG TERM INCENTIVE (LTI) PLAN

Aspect	Plan Rules, FY15 Offers and Comments
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.
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.

FY16 LTI Plan

For the 2016 financial year period the Company will implement the following change to the LTI Plan:

- The introduction of formal clawback and malus provisions whereby the Remuneration Committee retains the ability to reduce or clawback awards where the participant has acted fraudulently or dishonestly or is in material breach of their obligations to the Company; or where the Company becomes aware of material misstatement or omission in the financial statements of the Company; or any circumstances occur that the Committee determines to have resulted in an unfair benefit to the recipient.

The Remuneration Committee considered whether the introduction of a second LTI performance measure would be appropriate. After thorough deliberation, it was concluded that an additional measure is not considered appropriate at this stage, with consideration to the Company's current stage of growth and development. The Remuneration Committee has the view that the continued application of a relative TSR performance measure is most effective in capturing alignment between long term executive performance and shareholder wealth outcomes. The Committee will seek to review the appropriateness of the single measure LTI program on an annual basis.

5. Employment terms for Non-Executive Directors and Senior Executives

Non-Executive Directors

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.

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

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.

Senior Executives

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.

Name	Duration of contract	Notice period	Termination payments[1]
Craig Scroggie	4 years, ending 1 July 2016	12 months	12 months of salary
Simon Cooper	No fixed term	6 months	6 months
Oskar Tomaszewski	No fixed term	3 months	3 months
David Dzienciol	No fixed term	3 months	3 months
Adam Scully	No fixed term	3 months	3 months

1. Base salary payable if the Company terminates employees with notice, and without cause (for example, reasons other than unsatisfactory performance).

6. STI performance outcomes for FY15

FY15 was the Company's fifth full financial year since inception, and the first to include a full year of operations from each of the Company's five data centres.

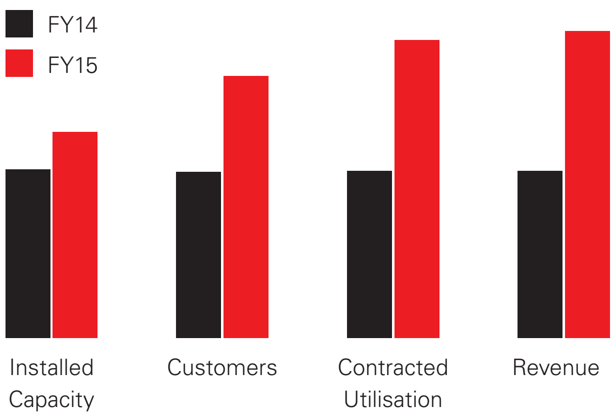
As the Company has progressed, its performance outcomes have moved from the initial development phase to the operational phase, with the achievement of strategic objectives leading to increasing earnings. Primary objectives for the FY15 year included sales achievement at the right price via growth in the Company's customers and partners, deployment of new capacity in line with customer requirements on time and on budget, diligent management of the Company's operating cost base, and ensuring the Company is fully funded to continue network expansion.

The Company had a tremendous year in terms of sales achievement, with three significant contract wins contributing to a total of 9.8MW being committed on a *pro forma* basis. Over 170 new customers were added during the course of the financial year, including CenturyLink, BHP, Edgecast, and Australian Government customers such as Australian Electoral Commission and Australian Prudential Regulation Authority at our C1 Canberra facility, with total customers now approaching 500.

New capacity was added at the S1 Sydney and P1 Perth facilities in line with customer requirements, and Project Plus, an engineering program tasked to deliver higher power capacity over the Company's existing data centre footprint, expanded the network's target capacity by 20% from 35MW to 42MW.

The Company also achieved its first positive EBITDA and operating cash flow result in FY15, with operational discipline and a 93% increase in revenue from data centre services (from $30.4 million to $58.7 million) contributing to a $8.0 million full year EBITDA result.

The Company worked with National Australia Bank to upsize its existing $20.0 million senior debt facility to $50.0 million with final loan documentation executed in August 2015.



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.

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 continues transitioning out of the start-up phase and into the operational phase, effective from 1 July 2014 the Board identified the following drivers as essential to help achieve its corporate vision.

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

These strategic drivers remain unchanged for the 2016 financial year. The at-risk components of executive reward are directly tied to these four strategic drivers. 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.

Senior Executive performance under the FY15 STI plan, including for the CEO, is detailed below. The performance of the CEO is assessed by the Remuneration and Nomination Committee. The performance assessment of other key management personnel is conducted by the CEO, who makes a recommendation to the Remuneration and Nomination Committee for Board approval of the amount of STI to award each Senior Executive. In assessing the actual STI outcome for each individual executive, the Board exercises discretion up or down based on value judgments on the quality of results and the satisfaction of each objective.

For the purposes of assessment: target performance is set as a challenging but achievable level of performance in relation to a performance metric; threshold represents a near miss of a target level of performance that warrants a small award but below which no bonus is payable; and stretch represents an outstanding level of performance which will be aligned with a maximum award opportunity for the performance metric.

For the FY15 period, 80% of the STI opportunity to reported KMP was based upon group level performance metrics, whilst the remaining 20% was based upon individual STI objectives.

FY15 GROUP LEVEL STI PERFORMANCE TARGETS (80% of Entitlement)

Performance measure	FY15 weighting
Group EBITDA	1/3
New Kilowatts Committed	1/3
Price per Kilowatt Committed	1/3
Total Group KPIs	80%

The above performance measures were chosen as being the most relevant drivers for improving financial performance and growth in shareholder value. Specifically, the metrics were chosen because:

- Group EBITDA: indicates the Company's underlying profitability at this stage of its development;
- **New Kilowatts Committed:** is connected to the volume of sales and expected future revenues; and
- **Price per Kilowatt Committed:** indicates sales discipline required to achieve appropriate return on capital deployed.

The joint assessment of these three performance objectives in context of the Company's overall performance resulted in the combined targets being exceeded for the FY15 performance period. With regard for commercial-in-confidence concerns, the absolute target hurdles are not disclosed.

Additional detail around Company performance for the FY15 period may be found on page 15.

For the individual performance KPIs, which had a 20% weighting towards the FY15 STI, outcomes are primarily based on an individual's contribution to delivering specific projects encompassing diverse initiatives.

In evaluating the CEO's FY15 individual performance, the Board took a range of factors into account, including:

- The CEO's contribution towards securing a total of 9.8MW on a pro forma basis, resulting in NEXTDC's overall contracted utilisation increasing by 83% since the end of FY14;
- The launch of a number of new products, including Cloud Centre, Quarter Racks, FastStart colocation bundles, connectivity to the Microsoft Azure platform and the next generation of the ONEDC platform during the course of FY15 as well as AXON Systems in July 2015; and
- The considerable work undertaken during the course of the year to optimise the Company's funding mix, resulting in NEXTDC successfully upsizing its senior debt facility from $20.0m to $50.0m.

On this basis, the CEO earned 100% of the FY15 STI opportunity that is attributable to individual objectives.

The performance achieved pursuant to individual KPIs for other reported Senior Executives in FY15 is detailed in the table below.

FY15 INDIVIDUAL STI OBJECTIVES (20% of STI Entitlement)				
Name	Objective	Contribution to success	Measurement	Percentage of opportunity to be paid
Simon Cooper COO	Maintain 100% uptime across national data centre network. Achieve and maintain ISO 9001 and ISO 27001 certification across relevant sites. Expand capacity and operate existing data centre facilities within the scope of the Board approved budget.	Maintaining 100% uptime as well as ISO 9001 / ISO 27001 certification is key to NEXTDC's market position. Maintaining operations within the budget allows the Company to optimise return on capital deployed.	100% uptime and ISO 9001 / ISO 27001 certification were achieved. Data centre operating costs as well as capital expenditure associated with capacity expansions were both kept within budget.	100%
Oskar Tomaszewski CFO	Develop funding program to support the Company's growth strategy. Ongoing development of financial systems and procedures. Landlord relationship management.	Ensuring NEXTDC maintains an appropriate capital structure allows the Company to optimize its cost of capital. Maintaining a sound relationship with its landlords is important to NEXTDC given the Company leases all of its existing facilities.	Secured additional senior debt funding at appropriate terms. Secured extension of NEXTDC's lease in relation to its C1 facility.	100%
David Dzienciol Group Executive – Customer and Technology	Complete the development and deployment of ONEDC cloud platform. Improve the customer experience across the Company's core IT systems. Ongoing improvement in the delivery of IT services to the business.	ONEDC allows the Company to differentiate itself from competitors as well as generate high margin software revenues. Given customers' as well as NEXTDC's reliance on IT systems, improving the overall user experience improves the Company's market position as well as efficiency of its operations.	NEXTDC executed its initial commercial deployment of ONEDC during FY15. During the course of FY15 a number of programs were successfully rolled out to improve both customer and business experience.	100%
Adam Scully Group Executive – Sales and Marketing	Grow the Company's installed base of customers. Grow the Company's installed base of channel partners. Grow the Company's installed base of carriers. Drive increased brand awareness domestically and internationally for pipeline development.	Growing NEXTDC's recurring revenue base and ongoing rate of new sales leads to improved profitability.	NEXTDC finished FY15 with more than 470 customers and 200 channel partners as well as increased pipeline.	100%

The following table outlines the remuneration received or due to be received by Senior Executives of the Company during the 2015 and 2014 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.

7. Statutory remuneration

7.1 Senior Executive Remuneration

		Basic package					STI		LTI		Termination benefits		Total remuneration package (TRP)
Name	Year	Salary	Superannuation contributions	Other benefits	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Total amount
Craig Scroggie	2015	1,170,000	30,000	-	1,200,000	57%	600,000	29%	297,606	14%	-	-	2,097,606
CEO	2014	1,175,000	25,000	-	1,200,000	68%	200,000	12%	354,958	20%	-	-	1,754,958
Simon Cooper	2015	396,217	18,783	-	415,000	59%	207,500	29%	83,078	12%	-	-	705,578
COO	2014	398,502	17,775	14,469	430,746	78%	75,000	13%	48,669	9%	-	-	554,415
Oskar Tomaszewski[1]	2015	233,790	22,210	-	256,000	57%	126,066	28%	67,371	15%	-	-	449,437
CFO	2014	-	-	-	-	-	-	-	-	-	-	-	-
David Dzienciol[2]	2015	278,344	18,783	-	297,127	61%	150,000	31%	41,209	8%	-	-	488,336
Group Executive – Customer and Technology	2014	-	-	-	-	-	-	-	-	-	-	-	-
Adam Scully[3]	2015	281,217	18,783	-	300,000	58%	165,729	31%	54,559	11%	-	-	520,288
Group Executive – Sales and Marketing	2014	130,605	12,080	-	142,685	75%	21,462	11%	26,796	14%	-	-	190,943
Tanya Mangold[4]	2015	59,062	7,780	-	66,842	38%	-	-	-	-	110,228	62%	177,070
Former Chief Legal Officer / Company Secretary	2014	183,486	16,972	-	200,458	89%	25,000	11%	-	-	-	-	225,458
Paul Gampe[5]	2015	140,599	7,045	-	147,644	91%	-	-	14,442	9%	-	-	162,086
Former CTO	2014	361,786	17,775	-	379,561	68%	100,000	18%	76,635	14%	-	-	556,196
Paul Jobbins[6]	2015	93,739	6,261	-	100,000	96%	-	-	4,151	4%	-	-	104,151
Former CFO	2014	255,350	17,775	-	273,125	70%	100,000	26%	17,064	4%	-	-	390,189
Annabel Sammut[7]	2015	106,164	11,988	-	118,152	46%	-	-	16,100	6%	123,050	48%	257,302
Former Head of People and Culture	2014	135,000	14,181	-	149,181	84%	28,307	16%	-	-	-	-	177,488
TOTAL	**2015**	**2,759,132**	**141,633**	**-**	**2,900,765**	**58%**	**1,249,295**	**25%**	**578,516**	**12%**	**233,278**	**5%**	**4,961,854**
	2014	**2,639,729**	**121,558**	**14,469**	**2,775,756**	**72%**	**549,769**	**14%**	**524,122**	**14%**	**-**	**-**	**3,849,647**

1. Oskar Tomaszewski was appointed CFO effective 3 November 2014
2. David Dzienciol was appointed as Group Executive - Customer and Technology effective 7 July 2014.
3. Adam Scully became a Senior Executive on 1 January 2014. Hence, his remuneration in FY14 is for the period 1 January 2014 to 30 June 2014.
4. Tanya Mangold was Company Secretary and Chief Legal Officer until 22 October 2014
5. Paul Gampe was Chief Technology Officer until 7 November 2014
6. Paul Jobbins was Chief Financial Officer until 2 November 2014 and was not a KMP at the time that termination benefits were paid.
7. Annabel Sammut was Head of People and Culture until 2 April 2015

7.2 Non-Executive Director Remuneration

Non-Executive Director fees are managed within the current aggregate annual fees cap of $750,000 which was approved by shareholders at the October 2013 AGM.

The rates of fees including superannuation contributions in respect of the 2015 and 2016 financial years is as follows:

	From 1 July 2014	From 1 July 2015
Board Chair	$180,000 per annum	$180,000 per annum
Non-Executive Directors	$90,000 per annum	$90,000 per annum
Committee Chair	$10,000 per annum	$15,000 per annum
Committee Member	Nil	$5,000 per annum

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.

Remuneration received by Non-Executive Directors in FY15 and FY14 is disclosed below.

Name	Year	Board fees	Superannuation	Securities	Total
		$	$	$	$
Douglas Flynn	2015	164,384	15,616	-	180,000
	2014	62,736	5,803	-	68,539
Gregory Clark	2015	91,324	8,676	-	100,000
	2014	14,047	1,299	-	15,346
Stuart Davis	2015	91,324	8,676	-	100,000
	2014	62,736	5,803	-	68,539
Elizabeth Gaines[1]	2015	-	-	-	-
	2014	-	-	-	-
Ted Pretty[2]	2015	61,643	5,856	-	67,499
	2014	62,736	5,803	-	68,539
Roger Clarke	2015	-	-	-	-
	2014	62,736	5,803	-	68,539
Greg Baynton	2015	-	-	-	-
	2014	62,736	5,803	-	68,539
Bevan Slattery	2015	-	-	-	-
	2014	19,878	1,839	-	21,717
TOTAL	**2015**	**408,675**	**38,824**	**-**	**447,499**
	2014	**347,605**	**32,153**	**-**	**379,757**

1. Elizabeth Gaines joined NEXTDC as a Non-Executive Director on 24 June 2015
2. Ted Pretty resigned from NEXTDC on 20 March 2015

Recommended Non-Executive Director Shareholding

Commencing in FY16, the Company will recommend that Non-Executive Directors accumulate shares over a three year period, on their own behalf, in equivalent value to one times their annual directors' fees.

7.3 Changes in securities held due to remuneration

			Opening balance 1 July 2014		Granted during the year		Forfeited during the year		Exercised/settled during the year		Closing balance 30 June 2015	
Name Title	Instrument	Date granted	Number	Value at grant	Number	Value	Number	Value	Number	Value	Number	Value
Craig Scroggie CEO	Loan Funded Shares	20/12/2012	1,768,093	4,000,000	-	-	-	-	-	-	1,768,093	4,000,000
	Options	31/10/2011	250,000	85,250	-	-	-	-	250,000	85,250	-	-
	FY15 Performance Rights	11/02/2015	-	-	505,618	494,965	-	-	-	-	505,618	494,965
Simon Cooper COO	Loan Funded Shares	31/10/2011	571,428	999,999	-	-	-	-	85,000	148,750	486,428	851,249
	FY15 Performance Rights	11/02/2015	-	-	174,860	171,175	-	-	-	-	174,860	171,175
Oskar Tomaszewski CFO	FY15 Performance Rights	30/06/2015	-	-	161,798	202,297	-	-	-	-	161,798	202,297
Adam Scully Group Executive – Sales and Marketing	Loan Funded Shares	06/06/2013	100,000	225,000	-	-	-	-	-	-	100,000	225,000
	FY15 Performance Rights	11/02/2015	-	-	126,404	123,740	-	-	-	-	126,404	123,740
David Dzienciol Group Executive – Customer and Technology	FY15 Performance Rights	11/02/2015	-	-	126,404	123,740	-	-	-	-	126,404	123,740
Paul Gampe CTO	Loan Funded Shares	27/06/2013	100,000	225,000	-	-	100,000	225,000	-	-	-	-
	Loan Funded Shares	17/07/2013	100,000	264,000	-	-	100,000	264,000	-	-	-	-
Paul Jobbins Former CFO	Loan Funded Shares	15/10/2012	100,000	225,000	-	-	50,000	112,500	50,000	112,500	-	-

FY15 performance rights will be tested on 30 June 2017.

LTI plan vesting outcomes

Given that the initial grants to participants in the LTI plan were provided in FY15, awards under this incentive scheme are not due to be tested until 30 June 2017.

Legacy Loan Funded Share Plan

As part of its long-term incentives, NEXTDC Limited had previously offered a NEXTDC Loan Funded Share Plan (Share Plan) to eligible KMP participants.

While no further grants will be made under this plan, previous grants under the plan must be allowed to run out and therefore this legacy incentive plan remains 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 the Loan Funded Share Plan:

Name	Issue date	Number of loan funded shares allocated	Number of loan funded shares vested	Number of shares exercised	Number of shares remaining	Average issue price	Average fair value	Total amount of loan	Expiry date
						$	$	$	
Craig Scroggie	20 Dec 2012	534,760	534,760	-	534,760	1.87	0.60	1,000,000	19 Dec 2017
		500,000	500,000	-	500,000	2.00	0.53	1,000,000	19 Dec 2017
		400,000	-	-	400,000	2.50	0.37	1,000,000	19 Dec 2017
		333,333	-	-	333,333	3.00	0.26	1,000,000	19 Dec 2017
Simon Cooper	31 Oct 2011	142,857	142,857	(85,000)	57,857	1.75	0.22	101,250	31 Oct 2016
		142,857	142,857	-	142,857	1.75	0.35	250,000	31 Oct 2016
		142,857	142,857	-	142,857	1.75	0.45	250,000	31 Oct 2016
		142,857	-	-	142,857	1.75	0.53	250,000	31 Oct 2016
Adam Scully	6 June 2013	50,000	25,000	-	50,000	2.00	0.61	100,000	6 June 2018
		50,000	25,000	-	50,000	2.50	0.43	125,000	6 June 2018
Oskar Tomaszewski	-	-	-	-	-	-	-	-	
David Dzienciol	-	-	-	-	-	-	-	-	
TOTAL		**2,354,521**	**1,513,331**	**(85,000)**	**1,428,331**	**-**	**-**	**-**	

The number of shares in the loan funded share plan issued to key management personnel and outstanding at the end of the year was 2,354,521 (2014: 2,739,521).

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.

7.4 Director and Senior Executive Shareholdings

During FY15, our KMP and their related parties held shares in NEXTDC directly, indirectly or beneficially as follows:

Holder	Shares held at 1 July 2014[1]	Shares granted during the financial year as compensation	Shares received during the financial year on the exercise of an option or right	Shares resulting from any other change during the financial year	Shares held at 30 June 2015	Shares held nominally at 30 June 2015
DIRECTORS						
Douglas Flynn	27,979	-	-	42,021	70,000	70,000
Gregory Clark	-	-	-	16,901	16,901	16,901
Stuart Davis	-	-	-	20,000	20,000	20,000
Elizabeth Gaines	-	-	-	-	-	-
Ted Pretty	750,000	-	-	(750,000)	-	-
SENIOR EXECUTIVES						
Craig Scroggie	510,714	-	250,000	62,000	822,714	250,000
Simon Cooper	-	-	85,000	(74,000)	11,000	11,000
Oskar Tomaszewski	-	-	-	-	-	
Adam Scully	-	-	-	3,000	3,000	3,000
David Dzienciol	-	-	-	105,993	105,993	-
Paul Jobbins[2]	15,130	-	50,000	(65,130)	-	-
Paul Gampe	-	-	-	-	-	-
Annabel Sammut	-	-	-	-	-	-

1. Total shareholdings include shares held by our KMP and their related parties. Unless related to our employee share plans, shares acquired or disposed by our KMP during FY15 were on an arm's length basis at market price.
2. For Paul Jobbins who left NEXTDC during the year, 50,000 shares were settled and sold as part of the loan funded share plan. The balance of 15,130 shares represents the number of shares held as at the date of termination.

The following table details shares that have vested to reported Key Management Personnel during the 2014 and 2015 financial years.

	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
		$		
2015				
Craig Scroggie	-	-	500,000	-
Simon Cooper	-	-	142,857	-
Paul Gampe	-	-	-	200,000
Paul Jobbins	-	-	25,000	50,000
Adam Scully	-	-	25,000	-
2014				
Craig Scroggie	-	-	534,759	-
Simon Cooper	-	-	142,857	-
Paul Gampe	100,000	69,000	25,000	-
Paul Jobbins	-	-	25,000	-
Adam Scully	-	-	25,000	-

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.

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 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 riskfree interest rate for the term of the option.

The Non-Executive Directors of the Company did not receive any shares in NEXTDC on behalf of the Company in respect of the 2014 and 2015 financial reporting periods.

Shares provided on exercise of remuneration options

The following ordinary shares of NEXTDC Limited were issued during the year ended 30 June 2015 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 under option	Exercise price of options
Craig Scroggie	31 October 2011	250,000	$1.40

Shares under option

There were no unissued ordinary shares of the Company under option at the date of this report.

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.

8. External remuneration consultant advice

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

GPS Governance	Review of short and long term incentive plans and assistance with drafting of the Remuneration Report	$10,000 + 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.

Directors' Report

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	2015	2014
	$	$
(i) Taxation Services		
Tax compliance services	11,325	65,300
(ii) Other services		
Review of financial model and business continuity plans as required for the Company's initial banking facility*	-	50,000
Total Remuneration of PwC Australia Non-Audit Services	**11,325**	**115,300**

*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 44.

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
26 August 2015

Auditor's Independence Declaration

As lead auditor for the audit of NEXTDC Limited for the year ended 30 June 2015, 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
26 August 2015

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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 3rd 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		
1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	✓	The Board Charter is available on NEXTDC's website at www.nextdc.com Further NEXTDC has published the Code of Conduct – Directors & Senior Executives on the NEXTDC website. NEXTDC has established a formal Statement of Delegated Authority outlining the scope of any delegation of authority to management.
1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and	✓	NEXTDC follows a formal recruitment and assessment process engaging specialist recruiters for the appointment of its Non-Executive Directors.
(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	✓	The Company ensures that all material information in its possession relevant to a shareholder's decision whether to elect or re-elect a director is provided to shareholders in the Company's Notice of AGM.
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	✓	NEXTDC enters into formal engagement agreements with each Director and senior executive for this purpose.
1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	✓	The company secretary of NEXTDC, Mr Michael Helmer is accountable directly to the Board through the Chair.
1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	✓	NEXTDC maintains a Diversity Policy against which measurable objectives are set.
(b) disclose that policy or a summary of it; and	✓	The policy is available for viewing at the company's website at www.nextdc.com.
(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:	✓	Refer to the summary following this table.
(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or	✓	Refer to the summary following this table.
(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	✓	Refer to the summary following this table.

Principle	Complied	Note
1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	✓	The responsibilities of the Board for monitoring its performance and that of its committees and individual directors are set out in its Charter and that of the Audit and Risk Management Committee. The charters are available for viewing at NEXTDC's website at www.nextdc.com.
(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	✓	The evaluation process is further commented on in the Remuneration Report.
1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and	✓	The responsibilities of the Board for monitoring the performance of its Senior Executives is set out in its Charter which is available at NEXTDC's website at www.nextdc.com.
(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	✓	The evaluation process is further commented on in the Remuneration Report.
PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE		
2.1 The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and	✓	The Board has established a Remuneration and Nomination Committee. Four of the five committee members are independent. Refer to the summary following this table for details of changes during the year.
(2) is chaired by an independent director, and disclose: (3) the charter of the committee;	✓	The Chairman, Mr Gregory Clark is an independent Director.
(4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	✓	The Charter of the Committee is available at NEXTDC's website at www.nextdc.com.
(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	✓	Attendance has been separately reported at page 21.
2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	✓	The evaluation process is further commented on in the Remuneration Report.
2.3 A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	✓	Four of the five committee members are independent. The fifth member, Mr Craig Scroggie also holds the position of Chief Executive Officer of NEXTDC. Refer to the summary following this table for details of changes during the year.
2.4 A majority of the board of a listed entity should be independent directors.	✓	Four of the five committee members are independent.
2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	✓	The role of Chair during the year was exercised by Mr Douglas Flynn . Mr Craig Scroggie was CEO for the entire period.
2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	✓	The Board continually reviews the professional skills and development opportunities of the Board and committee members throughout the year and makes an assessment of the skills and development and induction needs of any new Directors joining the Board.

Principle	Complied	Note
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY		
3.1 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	✓	The Board has adopted Codes of Conduct for Directors and Employees. These are available for review at the NEXTDC website at www.nextdc.com.
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING		
4.1 The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board,	✓	The Board has established an Audit and Risk Management Committee which satisfies all of these criteria: ▪ it has at least three members ▪ it consists only of Non-Executive Directors ▪ it consists of a majority of independent Directors
and disclose:	✓	It is chaired by Mr Stuart Davis. No Chair of the committee was also Chair of the Board during the period.
(3) the charter of the committee;	✓	The Audit and Risk Management Committee Charter is available at NEXTDC's website at www.nextdc.com.
(4) the relevant qualifications and experience of the members of the committee; and	✓	In relation to qualifications and experience of Directors refer to page 18.
(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	✓	In relation to the number of times the committee met and the attendance of Directors please refer to page 21.
4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	✓	The Board has received a declaration from the CEO and CFO in accordance with Principle 4.2 in relation to the financial statements for the financial year ended 30 June 2015.
4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	✓	The Company's external auditor attends the AGM and will be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE		
5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	✓	The Company has developed a Continuous Disclosure Policy which is available on our website, www.nextdc.com.

Principle	Complied	Note
PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS		
6.1 A listed entity should provide information about itself and its governance to investors via its website.	✓	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 at www.nextdc.com. In addition, NEXTDC regularly updates its website including the NEXTDC blog, news, investor centre and products and services sections.
6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	✓	The Company has a Shareholders Communications Policy that outlines the processes followed by the Company to ensure communication with shareholders and the investment community is effective, consistent and adheres to the principles of continuous disclosure. A copy of this policy is available at the Company's website at www.nextdc.com. The Company's Continuous Disclosure Policy also outlines policies and requirements for communications with analysts and investors to ensure that the communications are effective and comply with the Company's continuous disclosure obligations under the Corporations Act and the ASX Listing Rules. A copy of this policy is available at the Company's website at www.nextdc.com.
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	✓	The Shareholders Communication Policy sets out the policies and processes the Company has in place to facilitate and encourage participation at meetings of security holders. The Company permits shareholders to cast their proxies prior to a General Meeting if they are unable to attend the meeting.
6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	✓	The Company gives security holders the option to receive communications from, and send communications to, the Company and its security registry electronically, as provided for in the Company's Shareholder Communications Policy.

Principle	Complied	Note
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK		
7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	✓ ✓ ✓ ✓ ✓	The Board has established an Audit and Risk Management Committee which oversees risk and satisfies all of these criteria: ▪ the committee has four members who are all independent. Refer to the summary following this table for details of changes during the year. ▪ it is chaired by Mr Stuart Davis. No chair of the committee was also Chair of the Board during that period. The Audit and Risk Management Committee Charter is available at the NEXTDC's website at www.nextdc.com. In relation to the number of times the committee met and the attendance of Directors please refer to page 21.
7.2 The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	✓	The committee has reviewed the Risk Management Framework and has determined that it continues to be utilised throughout the organisation. The Company's risk management framework is consistent with ISO 31000. This ensures a systematic approach for risk management within a framework designed to assist in achieving operational and strategic objectives as well as legislative and compliance obligations.
7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	✓	In FY15, the responsibility for the operation of internal risk management processes was held by the Chief Operating Officer, with oversight from the Audit & Risk Committee (ARMC). Given the recent expansion of the business in terms of both size and complexity, the company appointed a Risk & Compliance Officer in FY15, who reports to the COO. Further, the ARMC is considering the implementation of a formal internal audit function to monitor and administer the current risk management framework. Refer also to principle 7 below. The annual internal audit plan focuses on the areas of highest risks to the company and evaluates the effectiveness of internal controls, as well as ensuring legislative and compliance obligations are met.
7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	✓	Refer to the Business Risks section on page 16.

Principle	Complied	Note
PRINCIPLE 8- REMUNERATE FAIRLY AND RESPONSIBLY		
8.1 The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	✓ ✓ ✓ ✓ ✓	The Board has established a Remuneration and Nominations Committee. During the year the committee had four members, who are all independent. The committee is chaired by Dr Gregory Clark who is an independent Director. The Remuneration and Nominations Committee Charter is available at www.nextdc.com. In relation to the number of times the committee met and the attendance of Directors please refer to page 21.
8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	✓	NEXTDC has developed a Senior Executive Remuneration Policy and Procedure and a Non-Executive Director Remuneration Policy and Procedure. Both are available for review at www.nextdc.com.
8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	✓ ✓ ✓	NEXTDC has developed a Long Term Incentive scheme limiting economic risk of participants. The granting of equity based remuneration under that scheme is disclosed in the Remuneration Report. The Company has published the relevant Long Term Incentive Policy and Procedure at its website at www.nextdc.com.

NEXTDC 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, where relevant, personal development plans. Please refer to 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 NEXTDC'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 June 2015 the Board appointed a new Non-Executive independent Director, Ms Elizabeth Gaines.

Mr Douglas Flynn is an independent Non-Executive Director who was appointed Chairman in April 2014 and continues to hold that position. In deciding to appoint Ms Elizabeth Gaines the Board carefully considered the mix of skills and experience on the Board and the additional contribution it felt Ms Elizabeth Gaines could make to the Board.

The Board considers that its revised composition is well suited to leading the Company into the next phase of its development. The Board, in deciding on the appointment of its new Director, utilised a third party specialist in Board recruitment and was cognisant of the need for diversity at the Board level.

Directors believe the current Board provides a deep mix of experience in financing, technology and management that is well placed to provide leadership in the Company's future development. The Company will continue to review 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.

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 Directors' 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 this position 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 Executives 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 eleven Board meetings during the year.

The number of meetings of the Company's Board and of each Board committee held during the year ended 30 June 2015, and the number of meetings attended by each Director is disclosed on page 21.

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.

Principle 2 Structure the board to add value (continued)

It is the Company's practice to allow its executive directors to accept appointments outside the Company with prior written approval of the Board. During the year ended 30 June 2015, the Chairman of the Company, Mr Douglas Flynn accepted non-executive board appointment at APN Outdoor.

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 27 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 completed a performance review as detailed in the Remuneration Report and will continue to monitor its ongoing performance and conduct evaluations of the Board and its members throughout the year. Further and in selecting its new Director the Board undertook an informal review of its performance and considered the outcomes of that review in making the appointment.

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 website. 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. 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.

The Company's Diversity Policy demonstrates compliance 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.

In FY15 the Company has continued the focus on the measurable objectives as set out in the Diversity Policy. FY15 saw an increase in the number of people taking up flexible work arrangements 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 continues to target an improvement in the overall diversity ratio (which was 74:26 at 30 June 2015). The Company ensures that in recruitment processes, short lists contain female representation.

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

A gender pay audit, which was a measurable objective for FY15, was conducted during the period and the results of this presented to the Board. This is the second year that Company was required to report to the Workplace Gender Equality Agency. The WGEA compliance report can be found on the Company's website at www.nextdc.com.

During FY15, the Company completed a detailed review of each role, the outcome of which demonstrated a balance in pay across genders.

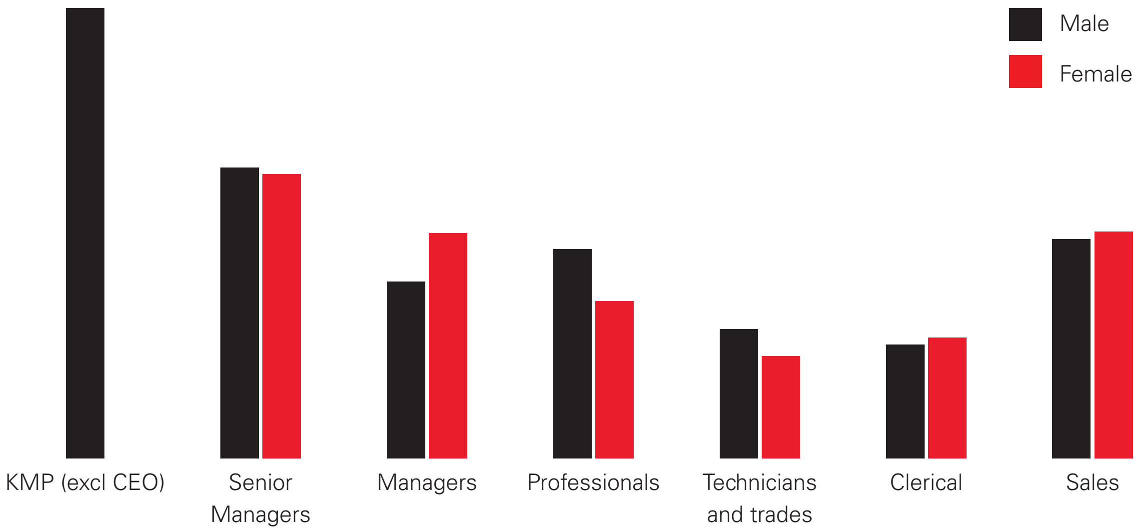
The Company operates a return to work program and this has continued to maintain a 100% success rate. Furthermore, the Company's flexible work arrangement program continues to be promoted internally and use of the program has increased over the past year. As discussed under section Principle 2 above, 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 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
- Mr Douglas Flynn
- Mr Gregory Clark
- Mr Ted Pretty (until March 2015)
- Ms Elizabeth Gaines (appointed 1 July 2015)

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 the Audit and Risk Management Committee 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.

In complying with recommendation 4.2, 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.

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. PricewaterhouseCoopers (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 25 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 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 at www.nextdc.com.

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/news-media/blog) which details the latest developments and provides information regarding its data centres.

All shareholders receive a copy of the Company's annual reports. 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 the CFO and CEO or otherwise as appropriate. 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 aforementioned 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 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 10-13.

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

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

Principle 8
Remunerate fairly and responsibly

Remuneration and Nominations Committee

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

- Dr Gregory Clark (Chair)
- Mr Douglas Flynn
- Mr Ted Pretty (until March 2015)
- Mr Stuart Davis
- Elizabeth Gaines (appointed 1 July 2015)

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 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 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".

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 committee does not consider remuneration by gender, but strives to ensure that remuneration is based on merit and skill.

The corporate governance statement of NEXTDC is current as at 25 August 2015 and was authorised for issue in accordance with a resolution of the Board of Directors on 25 August 2015.

Financial Report

These financial statements are the consolidated financial statements of the consolidated entity consisting of NEXTDC Limited (ABN 35 143 582 521) and its subsidiaries. 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 14, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 25 August 2015.

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

Financial Report

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	30 June 2015	30 June 2014
		$'000	$'000
REVENUE FROM CONTINUING OPERATIONS			
Data centre services revenue	5	58,657	30,360
Data centre development revenue	5, 7	-	15,470
Other revenue	5	2,223	2,465
Total revenue		**60,880**	**48,295**
OTHER INCOME			
Other income		213	1,759
EXPENSES			
Direct costs		(5,553)	(3,907)
Data centre development costs	7	-	(10,611)
Employee benefits expense		(19,342)	(17,486)
Data centre facility costs	6	(18,866)	(16,973)
Depreciation and amortisation expense		(14,148)	(10,354)
Professional fees		(1,373)	(3,042)
Marketing costs		(616)	(1,013)
Office and administrative expenses		(5,145)	(5,399)
Finance costs	6	(6,304)	(1,164)
Loss before income tax		**(10,254)**	**(19,895)**
Income tax benefit / (expense)	8	-	(3,011)
Loss for the period after tax		**(10,254)**	**(22,906)**
LOSS IS ATTRIBUTABLE TO:			
▪ Owners of NEXTDC Limited		**(10,254)**	**(22,906)**
OTHER COMPREHENSIVE INCOME			
Total comprehensive loss for the period		**(10,254)**	**(22,906)**
Attributable to:			
▪ Owners of NEXTDC Limited		**(10,254)**	**(22,906)**
		Cents	Cents
LOSSES PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE GROUP:			
Basic losses per share	28	(5.21)	(11.82)
Diluted losses per share	28	(5.21)	(11.82)

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

Consolidated Balance Sheet

As at 30 June 2015

	Note	30 June 2015	30 June 2014
		$'000	$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	52,881	16,838
Term deposits	9	-	54,000
Trade and other receivables	10	8,865	6,168
Other assets	11	5,469	9,352
Total current assets		**67,215**	**86,358**
NON-CURRENT ASSETS			
Property, plant and equipment	12	221,174	207,770
Other assets	11	2,199	2,495
Intangible assets	13	2,687	658
Deferred tax assets	14	-	-
Total non-current assets		**226,060**	**210,923**
TOTAL ASSETS		**293,275**	**297,281**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	11,168	6,850
Other liabilities	16	138	93
Finance lease liability	17	259	245
Total current liabilities		**11,565**	**7,188**
NON-CURRENT LIABILITIES			
Other liabilities	16	111	145
Provisions	19	221	539
Interest-bearing borrowings	17	59,872	58,969
Finance lease liability	17	6,606	6,865
Total non-current liabilities		**66,810**	**66,518**
TOTAL LIABILITIES		**78,375**	**73,706**
NET ASSETS		**214,900**	**223,575**
EQUITY			
Contributed equity	20	260,094	259,183
Reserves	21	2,475	1,807
Accumulated losses	22	(47,669)	(37,415)
TOTAL EQUITY		**214,900**	**223,575**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

	Note	Contributed equity	Reserves	Accumulated losses	Total equity
		$'000	$'000	$'000	$'000
BALANCE AT 1 JULY 2013		**209,771**	**1,126**	**(14,509)**	**196,388**
Loss for the year	22	-	-	(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	20(B)	49,062	-	-	49,062
Exercise of options	20(B)	350	-	-	350
Share-based payments	29(D)	-	681	-	681
BALANCE AT 30 JUNE 2014		**259,183**	**1,807**	**(37,415)**	**223,575**
BALANCE AT 1 JULY 2014		**259,183**	**1,807**	**(37,415)**	**223,575**
Loss for the year	22	-	-	(10,254)	(10,254)
Total comprehensive loss		**-**	**-**	**-**	**-**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Contributions of equity, net of transaction costs and tax	20(G)	561	-	-	561
Exercise of options	20(B)	350	-	-	350
Share-based payments	29(D)	-	668	-	668
BALANCE AT 30 JUNE 2015		**260,094**	**2,475**	**(47,669)**	**214,900**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Note	30 June 2015	30 June 2014
		$'000	$'000
OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		61,570	53,299
Payments to suppliers and employees (inclusive of GST)		(56,283)	(64,390)
		5,287	**(11,091)**
Interest paid		(572)	(705)
Distributions received		-	479
Interest received		2,163	2,081
Payments for security deposits		-	(730)
Net cash inflow / (outflow) from operating activities	31	**6,878**	**(9,966)**
INVESTING ACTIVITIES			
Payments for property, plant and equipment		(22,961)	(103,362)
Cash inflow / (outflow) from/for investment in term deposits		54,000	(41,500)
Proceeds from disposal of APDC		-	28,146
Payments for intangible assets		(2,540)	(48)
Loans (to)/from related parties	27(D)	-	750
Net cash inflow / (outflow) from investing activities		**28,499**	**(116,014)**
FINANCING ACTIVITIES			
Cash paid into escrow for coupon payments		-	(4,800)
Finance lease payments		(245)	(231)
Proceeds from issues of shares (including exercised options)		911	51,796
Transaction costs paid in relation to issue of shares		-	(1,338)
Proceeds from borrowings	17(A)	-	60,000
Transaction costs paid in relation to loans and borrowings		-	(1,492)
Net cash inflow from financing activities		**666**	**103,935**
Net increase / (decrease) in cash and cash equivalents		**36,043**	**(22,045)**
Cash and cash equivalents at the beginning of the year		16,838	38,883
Cash and cash equivalents at the end of the year	9	**52,881**	**16,838**

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 2015

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 2014 to 30 June 2015. The comparative reporting period is 1 July 2013 to 30 June 2014.

(b) Basis of preparation

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

(i) Compliance with IFRS

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

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

(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 2014 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 2014.

(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 Operating Officer, Chief Financial Officer, Group Executive – Customer and Technology, and Group Executive– Sales and Marketing.

(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 11(B).

(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.

1. Summary of significant accounting policies (continued)

(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.

1. Summary of significant accounting policies (continued)

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.

(j) Investments and other financial assets

LOANS AND RECEIVABLES

Classification

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

(i) 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(p).

(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.

1. Summary of significant accounting policies (continued)

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

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 assets. 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.

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.

LICENCES

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

Other licences that NEXTDC acquires are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful life. 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. 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.

1. Summary of significant accounting policies (continued)

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 straightline 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.

(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 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

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.

1. Summary of significant accounting policies (continued)

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.

RETIREMENT BENEFIT OBLIGATIONS

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

SHARE-BASED PAYMENTS

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

The fair value of performance rights and the 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 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 the assumptions. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of rights that are expected to vest based on the 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 loan shares are settled, the net proceeds are credited directly to equity.

The Executive Share Option Plan was not used as a form of employee remuneration during the year.

(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 28).

(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.

1. Summary of significant accounting policies (continued)

(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.

(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 2014:

Offsetting Financial Assets and Financial Liabilities (AASB 2012-3) effective date: 1 January 2014.

The amendments do not change the current offsetting rules in AASB 132 Financial Instruments: Presentation, but they clarify that the right of set-off must be available today (ie not contingent on a future event) and must be legally enforceable in the normal course of business as well as in the event of default, insolvency or bankruptcy.

Annual improvements project – 2010-2012 cycle (AASB 2014-1 Part A) effective date 1 July 2014. The annual improvements project makes minor but necessary annual amendments to various accounting standards. The AASB has made the following amendments:

- AASB 2 – clarifies the definition of 'vesting condition' and now distinguishes between 'performance condition' and 'service condition'.
- AASB 8 – requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported.
- AASB 13 confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial.

AASB 119 Employee Benefits requires all entities, except not-for-profit public sector entities, to use market yields on high quality corporate bonds. Where there is no deep market in such bonds, market yields on government bonds shall be used. Until now, entities in Australia had to use government bond rates as the corporate bond market was not considered to have sufficient depth. In consultation with the Institute of Actuaries of Australia, the Group of 100 has engaged an actuarial provider, Milliman Australia, to perform an analysis of the corporate bond market within Australia. The Milliman report concludes that the bond market has demonstrated sufficient depth and liquidity over recent years to support a change to corporate bond rates. NEXTDC has remeasured the employee benefit liabilities using the high-quality Australian corporate bond index rates rather than government bond rates.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The group does not plan to adopt these standards early.

AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.

AASB 15 Revenue from Contracts with Customers

- AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning or after 1 January 2018, with early adoption permitted.
- The Group is assessing the potential impact on its financial statements resulting from the application of AASB 15.

(ac) Parent entity financial information

The financial information for the parent entity, NEXTDC Limited, disclosed in Note 33 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 2015, the Group had a $20.0 million debt facility with National Australia Bank ("NAB") which had not been drawn. On 14 August 2015, the Group renegotiated its debt facility from $20.0 million to $50.0 million with National Australia Bank. As at the date of the report, this debt facility also remained undrawn.

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:

	2015	2014
	$'000	$'000
FINANCIAL ASSETS		
Cash and cash equivalents	52,881	16,838
Term deposits	-	54,000
Trade and other receivables	8,865	6,168
Total financial assets	**61,746**	**77,006**
FINANCIAL LIABILITIES		
Trade and other payables	11,168	6,850
Unsecured notes	59,872	58,969
Finance lease liabilities	6,865	7,110
Bank loan	-	-
Total financial liabilities	**77,905**	**72,929**

(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 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 17(B)) which remained undrawn at 30 June 2015.

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.

2. Financial risk management (continued)

SENSITIVITY

At 30 June 2015, if interest rates had increased by 100 basis points 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 $462,485 higher / $462,485 lower (2014: $393,971 higher / $393,971 lower), mainly as a result of higher/lower interest income from cash and cash equivalents and term deposits.

(b) Credit risk

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

(i) Cash and cash equivalents

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

	2015	2014
	$'000	$'000
AA rated	37,876	50,833
A rated	15,004	5,000
BBB+ rated	-	15,004
TOTAL	**52,880**	**70,837**

In determining the credit quality of these financial assets, NEXTDC has used the long-term rating from Standard & Poor's as of July 2015.

(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 2015, sixteen (16) customers owed the Group $5.5 million and accounted for approximately 62% of all the trade receivables owed to the Group.

Revenues from data centre services of $17.0 million were derived from one customer (2014: $8.8 million from one customer) whose revenue comprised more than 10% of total data centre services revenue.

(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 $20.0 million (2014: $60.2 million).

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

2. Financial risk management (continued)

FINANCING ARRANGEMENTS

At 30 June 2015, the Group had a corporate debt facility with National Australia Bank to the value of $20.0 million.

Subsequent to 30 June 2015, NEXTDC was successful in upsizing its undrawn senior secured debt facility with the Company's relationship bank, National Australia Bank ("NAB") from $20.0 million to $50.0 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.

(i) Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all 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
2015					
Trade payables	11,168	-	-	11,168	11,168
Unsecured notes	4,800	77,400	-	82,200	59,872
Finance lease liabilities	641	2,565	7,429	10,635	6,865
Total non-derivatives	**16,609**	**79,965**	**7,429**	**104,003**	**77,905**
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**	**73,229**

(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 17(D) and Note 17(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.

(i) 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 2015, NEXTDC did not recognise any tax assets on carried-forward tax losses (2014: nil).

(ii) Income taxes

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

(iii) 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

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

(b) Segment information provided to management

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

	Qld	Vic	NSW	WA	ACT	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 JUNE 2015							
Revenue from external customers	10,703	27,783	16,414	3,064	686	7	58,657
Direct and facility costs	(1,888)	(8,218)	(7,777)	(3,663)	(2,873)	(1)	(24,420)
Employee benefits expense	(821)	(1,365)	(1,498)	(873)	(600)	-	(5,157)
Other expenses	(103)	(154)	(161)	(98)	(131)	-	(647)
Segment operating profit/(loss)	**7,891**	**18,046**	**6,978**	**(1,570)**	**(2,918)**	**6**	**28,433**
Depreciation and amortisation	(2,620)	(4,892)	(3,569)	(1,760)	(475)	-	(13,316)
Finance charge	(396)	-	-	-	-	-	(396)
Segment profit/(loss) before tax	**4,875**	**13,154**	**3,409**	**(3,330)**	**(3,393)**	**6**	**14,721**
Segment assets	27,752	76,143	72,520	35,667	6,770	1,398	220,250
Unallocated assets	-	-	-	-	-	-	73,025
Total segment assets							**293,275**
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**	**(2,043)**	**(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**

There was no impairment charge or other significant non-cash item recognised in 2015 (2014: nil).

4. Segment Information (continued)

(c) Other segment information

(i) Segment revenue

	Note	2015	2014
		$'000	$'000
SEGMENT REVENUE			
Data centre services revenue	5	58,657	30,360
Data centre development revenue	5	-	15,470
Interest revenue	5	2,211	1,970
Other revenue	5	12	495
Total revenue from continuing operations		**60,880**	**48,295**

NEXTDC is domiciled in Australia. During the year, revenue was generated from all five of the Group's data centres for the entire year. In the year ended 30 June 2014, revenue was only generated for the full year from M1 Melbourne, B1 Brisbane and C1 Canberra, and only for part of the year from S1 Sydney (opened 30 September 2013) and P1 Perth (opened 24 February 2014).

Revenues from data centre services of $17.0 million were derived from one customer (2014: $8.8 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 EBITDA. 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 profit/(loss) before income tax is provided as follows:

	2015	2014
	$'000	$'000
Total segment profit/(loss) before tax	**14,721**	**(5,626)**
Employee benefits expense (non-facility staff)	(14,185)	(12,846)
Net development income	-	4,859
Interest revenue	2,211	1,970
Distributions from investments	-	479
Other income	225	1,759
Finance costs	(5,908)	(754)
Head office depreciation	(832)	(854)
Overheads and other expenses	(6,486)	(8,882)
Loss before income tax from continuing operations	**(10,254)**	**(19,895)**

4. Segment Information (continued)

A reconciliation of depreciation and amortisation is provided as follows:

	2015	2014
	$'000	$'000
Segment depreciation and amortisation expense	13,316	9,499
Head office depreciation and amortisation expense	832	855
Total depreciation and amortisation expense	**14,148**	**10,354**

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	2015	2014
		$'000	$'000
Total segment assets		**220,250**	**205,505**
Cash and cash equivalents	9(a)	52,881	16,838
Term deposits	9(b)	-	54,000
Trade and other receivables	10	8,865	6,168
Other assets		7,455	11,610
Property, plant and equipment		2,536	2,503
Intangibles	13	1,288	657
Net deferred tax assets	14	-	-
Total assets		**293,275**	**297,281**

(iii) 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

	2015	2014
	$'000	$'000
FROM CONTINUING OPERATIONS		
Data centre services revenue	**58,657**	**30,360**
Data centre development revenue	**-**	**15,470**
Interest income	2,211	1,970
Sundry revenue	12	16
Distributions from investments	-	479
Subtotal – other revenue	2,223	2,465
Total revenue	**60,880**	**48,295**

6. Significant items of income and expense

	Note	2015	2014
		$'000	$'000
EXPENSE			
Finance costs	(a)	(6,304)	(1,164)
Data centre rent paid to APDC	(b)	(12,966)	(11,713)

(a) Finance costs

A significant amount of the finance cost of $6.3 million incurred in the year to 30 June 2015 relates to the unsecured notes of $60.0 million which were issued in June 2014.

(b) 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 year, NEXTDC paid rent and ancillary amounts to APDC totalling $13.0 million (2014: $11.7 million). 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	2015	2014
		$'000	$'000
Data centre development revenue	(a)	-	15,470
Data centre development costs	(b)	-	(10,611)

(a) Data centre development revenue

During the 2014 financial year, NEXTDC recognised development revenue of $15.5 million in respect of the completion of P1 Perth Data Centre building for 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

During the 2014 financial year, 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

	2015	2014
	$'000	$'000
(a) INCOME TAX EXPENSE		
Deferred tax expense	-	3,011
Under / (over) provision in prior years	-	-
Sub-total	**-**	**3,011**
Income tax expense is attributable to:		
▪ Loss from continuing operations	-	3,011
Aggregate income tax expense	**-**	**3,011**
Deferred income tax revenue included in income tax credit comprises:		
▪ Decrease / (increase) in deferred tax assets (Note 14)	173	7,160
▪ (Decrease) / increase in deferred tax liabilities (Note 18)	(173)	(4,550)
▪ Deferred tax credited to equity	-	401
Sub-total	**-**	**3,011**
(b) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
Loss from continuing operations before income tax expense	(10,254)	(19,895)
Tax credit at the Australian tax rate of 30%	(3,076)	(5,969)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	26	250
Share-based payments	200	204
Current year tax losses for which no deferred tax asset has been recognised (Note d)	3,310	6,621
Temporary timing differences (re-recognised) / not recognised	(460)	1,905
Income tax expense	**-**	**3,011**
(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	42,620	31,586
Potential tax benefit @ 30%	12,785	9,475

9. Cash, cash equivalents and term deposits

	Note	2015	2014
		$'000	$'000
Cash at bank and in hand		32,881	10,635
Deposits with a term of 3 months or shorter	(a)	20,000	6,203
Total cash and cash equivalents		**52,881**	**16,838**
Deposits with a term of longer than 3 months but less than 9 months	(b)	-	54,000
Total cash, cash equivalents and term deposits		**52,881**	**70,838**

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

At 30 June 2015, the Group held $20.0 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 less than 9 months

At 30 June 2015, the Group held no term deposits with a term of longer than 3 months but less than 9 months (2014: $54.0 million).

(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.

10. Trade and other receivables

	Note	2015	2014
		$'000	$'000
Trade receivables		8,876	5,763
Provision for impairment	(a)	(371)	-
		8,505	5,763
Interest receivable	(c)	170	122
GST receivable		189	283
Other receivables		1	-
Total		**8,865**	**6,168**

(a) Impaired trade receivables

The ageing of these receivables is as follows:

	2015	2014
	$'000	$'000
1 to 3 months	117	-
4 months or greater	254	-
Total impaired trade receivables	**371**	**-**

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

	2015	2014
	$'000	$'000
Opening balance	-	32
Provision for impairment recognised / (reversed) during the year	371	(15)
Receivables written off during the year as unrecoverable	-	(17)
Closing balance	**371**	**-**

(b) Past due but not impaired

As at 30 June 2015, trade receivables of approximately $1.7 million (2014: $0.8 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:

	2015	2014
	$'000	$'000
Up to 3 months	1,205	633
More than 3 months	529	180
Total past due but not impaired	**1,734**	**813**

10. Trade and other receivables (continued)

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) 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).

(d) 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.

(e) Foreign Exchange and Interest Rate Risk

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

(f) 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. There are no non-current receivables at 30 June 2015 (2014: nil).

11. Other assets

	Note	2015	2014
		$'000	$'000
CURRENT			
Prepayments		1,082	297
Security deposits	(a)	3,081	7,881
Other current assets		214	238
Customer incentives	(b)	1,092	936
Total other assets – current		**5,469**	**9,352**
NON-CURRENT			
Customer incentives	(b)	2,199	2,495
Total other assets – non-current		**2,199**	**2,495**

(a) Security deposits

Included in the security deposits was $3.1 million relating to deposits held as security for bank guarantees.

(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. Property, plant and equipment

	Assets in the course of construction	Buildings	Plant and machinery	Computer equipment	Office furniture and equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
30 JUNE 2015						
Opening net book amount	3,631	8,435	192,882	2,096	726	207,770
Additions	27,247	-	97	395	34	27,773
Depreciation charge	-	(486)	(12,518)	(887)	(242)	(14,133)
Disposal	(177)	-	(45)	(3)	(11)	(236)
Transfer	(9,123)	-	9,101	-	22	-
Closing net book amount	**21,578**	**7,949**	**189,517**	**1,601**	**529**	**221,174**
Cost	21,578	9,736	216,036	3,849	1,158	252,357
Accumulated depreciation	-	(1,787)	(26,519)	(2,248)	(629)	(31,183)
Net book amount	**21,578**	**7,949**	**189,517**	**1,601**	**529**	**221,174**

	Assets in the course of construction	Buildings	Plant and machinery	Computer equipment	Office furniture and equipment	Total
	$'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	210	-
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**

LEASED ASSETS

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

	2015	2014
	$'000	$'000
Buildings – at cost	7,665	7,665
Accumulated depreciation	(1,446)	(964)
Net book amount	**6,219**	**6,701**

13. Intangible assets

	2015	2014
	$'000	$'000
Rights and licences	74	81
Internally generated software	2,613	577
Total intangible assets	**2,687**	**658**

Movements	Rights and licences	Internally generated software	Total
	$'000	$'000	$'000
30 JUNE 2015			
Opening net book amount at 1 July 2014	81	577	658
Additions – externally acquired	9	684	693
Additions – internal development	-	1,352	1,352
Amortisation	(16)	-	(16)
Closing net book amount	**74**	**2,613**	**2,687**
Cost	91	2,613	2,704
Accumulated amortisation and impairment	(17)	-	(17)
Net book amount	**74**	**2,613**	**2,687**
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**

14. Deferred tax assets

	2015	2014
	$'000	$'000
The balance comprises temporary differences attributable to:		
Provisions for doubtful debts	111	-
Employee benefits	770	344
Expenses deductible in future years	68	69
Revenue received in advance	44	71
Borrowing costs	140	269
Make good provision	66	51
Capital raising and share issue expenses	402	860
Black-hole expenditure deductible in future years	795	1,185
Finance lease provisions	2,060	2,133
Total deferred tax assets	**4,456**	**4,982**
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 18)	(2,904)	(3,077)
Deferred tax assets not recognised	(1,552)	(1,905)
Net deferred tax assets	**-**	**-**

15. Trade and other payables

	2015	2014
	$'000	$'000
Trade payables	8,191	4,745
Employee entitlements	1,252	994
PAYG payable	30	15
Accrued expenses	1,695	1,096
Total trade and other payables	**11,168**	**6,850**

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.

16. Other liabilities

	2015	2014
	$'000	$'000
CURRENT		
Revenue received in advance	104	41
Other	34	52
Total current other liabilities	**138**	**93**
NON-CURRENT		
Deferred profit on sale and leaseback transaction (B1)	111	119
Operating lease rental incentive	-	26
Total non-current other liabilities	**111**	**145**

17. Interest-bearing loans and borrowings

	Note	2015	2014
		$'000	$'000
CURRENT			
Finance lease – secured		259	245
NON-CURRENT			
Unsecured notes	(a)	59,872	58,969
Bank loan	(b)	-	-
Finance lease – secured		6,606	6,865
Total non-current interest bearing loans and borrowings		66,478	65,834
Total interest-bearing loans and borrowings		**66,737**	**66,079**

(a) Unsecured Notes

The Group currently has issued $60.0 million unsecured notes which mature 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

(i) Secured liabilities and assets pledged as security

As at 30 June 2015, NEXTDC had access to a $20.0 million corporate debt facility (undrawn at the date of this report).

Subsequent to 30 June 2015, NEXTDC was successful in upsizing its undrawn senior secured debt facility with the Company's relationship bank, National Australia Bank ("NAB") from $20.0 million to $50.0 million.

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 31 July 2017.

(c) Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2015 financial year (2014: complied).

(d) Fair value – bank borrowings

Whilst NEXTDC has an existing $20.0 million bank facility, the facility remained undrawn as at 30 June 2015.

(e) Fair value – unsecured notes

Material differences are identified for the following borrowings:

17. Interest-bearing loans and borrowings (continued)

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Unsecured notes	59,872	60,600	58,969	60,000

Summary of available facilities	2015	2014
	\$'000	\$'000
Bank loan facilities – accessible	20,000	20,000
Bank loan facilities – utilised	-	-

18. Deferred tax liabilities

	2015	2014
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Accrued interest	51	37
Finance lease asset	1,866	2,010
Customer incentives	987	1,030
Total deferred tax liabilities	**2,904**	**3,077**
Setoff of deferred tax liabilities pursuant to setoff provisions (Note 14)	(2,904)	(3,077)
Net deferred tax liabilities	**-**	**-**
Deferred tax liabilities expected to be settled within 12 months	430	429
Deferred tax liabilities expected to be settled after more than 12 months	2,474	2,648
Total	**2,904**	**3,077**

19. Provisions

	Note	2015	2014
		$'000	$'000
NON-CURRENT			
Provision for make-good	(b)	221	171
Provision for asset replacement		-	243
Provision for abandoned asset		-	125
Total non-current provisions		**221**	**539**

(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) 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
2015				
At 1 July 2014	171	243	125	539
Charged/(credited) to profit or loss	50	-	-	50
Amounts used during the year	-	(243)	(125)	(368)
At 30 June 2015	**221**	**-**	**-**	**221**

20. Contributed equity

(a) Share Capital

	Note	2015	2015	2014	2014
		Number of Shares	$	Number of Shares	$
Fully paid ordinary shares	(c)	193,700,200	260,094,315	193,154,486	259,183,066
Treasury shares	(g)	3,381,030	7,327,749	3,676,744	7,888,998
Total share capital		**197,081,230**	**267,422,064**	**196,831,230**	**267,072,064**

(b) Movements in ordinary share capital

Date	Details	Note	Number of Shares	Issue Price	Value
					$
1 Jul 2014	Opening balance		196,831,230		267,072,064
27 Apr 2015	Conversion of options to shares	(e)	250,000	1.40	350,000
	Sub-total		**197,081,230**		**267,422,064**
	Less shares held by NEXTDC Share Plan Pty Ltd	(g)	(3,381,030)		(7,327,749)
30 Jun 2015	**Balance**		**193,700,200**		**260,094,315**

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	(g)	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	(g)	(3,676,744)		(7,888,998)
30 Jun 2014	**Balance**		**193,154,486**		**259,183,066**

(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 29(C).

20. Contributed equity (continued)

(f) Performance Rights

Performance Rights, which subject to satisfaction to a performance hurdle, give rise to an entitlement to the value of an ordinary share in NEXTDC Limited (Share). The Board has discretion to determine if the value will be provided in shares, cash or a combination of shares and cash.

(g) 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 3,381,030 (2014: 3,676,744) 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. Loan repayments of $561,250 were received during the year (2014: nil).

More information relating to the loan funded share plan including details of shares issued under the scheme is set out in Note 29(B).

	2015	2014
Number of loan-funded shares held by key management personnel (net of shares that have been repaid)	2,354,521	2,739,521
Number of shares held by other staff	164,696	661,124
Shares held by the Trust but not allocated	861,813	276,099
Total number of loan-funded shares	**3,381,030**	**3,676,744**

(h) 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 growth.

	2015	2014
	$'000	$'000
Total borrowings (including trade and other payables)	77,905	73,229
Less: cash, cash equivalents and term deposits	(52,881)	(70,838)
Net debt / (surplus cash)	**25,024**	**2,391**
Total equity	260,094	259,183
Total capital	**285,118**	**261,574**
Gearing ratio	**9%**	**1%**

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.

21. Reserves

	2015	2014
	$'000	$'000
Share-based payments	2,475	1,807
Total reserves	**2,475**	**1,807**

Movements	2015	2014
	$'000	$'000
Opening balance	1,807	1,126
Share-based payments expense	668	681
Total reserves	**2,475**	**1,807**

NATURE AND PURPOSE OF RESERVES

Share-based payments

The share-based payments reserve is used to recognise:

- the grant date fair value of long-term incentives issued to participants
- the grant date fair value of shares issued to participants
- the issue of shares held by the NEXTDC Limited Executive Share Option Plan or NEXTDC Share Plan Pty Ltd

22. Accumulated losses

Movements	2015	2014
	$'000	$'000
Opening balance	(37,415)	(14,509)
Loss for the year	(10,254)	(22,906)
Total accumulated losses	**(47,669)**	**(37,415)**

23. Dividends

No dividends were paid or were declared payable by the Group during the year ended 30 June 2015 (2014: nil).

24. Key management personnel disclosures

(a) Key management personnel compensation

	2015	2014
	$	$
Short-term employee benefits	4,417,102	3,503,752
Post-employment benefits	180,457	149,289
Termination benefits	233,278	-
Share-based payments	578,516	524,122
Total key management personnel compensation	**5,409,353**	**4,177,163**

Detailed remuneration disclosures are provided in the Remuneration Report on pages 22-42.

(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 (2014: nil).

(c) Other transactions with key management personnel

There were no other transactions with key management personnel during the year (2014: nil).

25. 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 nonrelated audit firms:

(a) PwC Australia

	2015	2014
	$	$
AUDIT AND OTHER ASSURANCE SERVICES		
Audit and review of financial statements	170,088	162,438
TAXATION SERVICES		
Tax compliance services	11,325	65,300
OTHER SERVICES		
Business continuity planning and financial modelling	-	50,000
Total Remuneration of PwC Australia	**181,413**	**277,738**

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 in the year ended 30 June 2014.

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.

25. Remuneration of auditors (continued)

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.

26. 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:

	2015	2014
	$'000	$'000
Property, plant and equipment	10,748	1,883
Total capital commitments	**10,748**	**1,883**

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.

	2015	2014
	$'000	$'000
Within one year	16,014	15,712
Later than one year but not later than 5 years	63,293	61,730
Later than 5 years	116,711	128,722
Total lease commitments	**196,018**	**206,164**

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

26. Commitments and contingencies (continued)

(ii) Finance leases

The land and building of the Group's Brisbane B1 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.

	2015	2014
	$'000	$'000
Within 12 months	641	675
Later than 12 months but not later than 5 years	2,565	2,700
Later than 5 years	7,429	8,495
Minimum lease payments	**10,635**	**11,870**
Future finance charges	(3,770)	(4,760)
Recognised as a liability	**6,865**	**7,110**
The present value of finance lease liabilities is as follows:		
Within one year	259	245
Later than one year but not later than 5 years	1,196	1,130
Later than 5 years	5,410	5,735
Total finance lease liabilities	**6,865**	**7,110**

(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 2015, the Group provided a total of $3.1 million (2014: $3.1 million) of guarantees in relation to various operating leases and finance leases that it has entered into.

27. Related party transactions

(a) Transactions with subsidiaries

There were no transactions with subsidiaries during the year.

(b) Key management personnel

Disclosure relating to key management personnel are set out in Note 24 and in the Remuneration Report.

(c) Transactions with other related parties

	Note	2015	2014
		$	$
SALES OF GOODS / SERVICES			
Data centre development revenue earned from related parties		-	-
Data centre services		-	99,863
PURCHASES OF GOODS / SERVICES			
Payments to related parties for rental of land and buildings		-	83,804
SUPERANNUATION CONTRIBUTIONS			
Contributions to superannuation funds on behalf of employees		1,538,399	1,331,353

OUTSTANDING BALANCES ARISING FROM SALES/PURCHASES OF GOODS AND SERVICES

There were no outstanding balances with related parties at 30 June 2015.

(d) Loans to/from related parties

Loans to/from key management personnel are detailed in Note 24(B). Loans to other related parties during at year-end are detailed as follows:

	2015	2014
	$'000	$'000
Beginning of the year	-	770
Interest charged	-	17
Loans advanced	-	-
Amounts forgiven	-	-
Amounts repaid	-	(787)
End of the year	**-**	**-**

28. Earnings per share

(a) Losses per share

	2015	2014
	Cents	Cents
Total basic losses per share attributable to the ordinary equity holders of the Group	(5.21)	(11.82)

(b) Diluted Losses per Share

	2015	2014
	Cents	Cents
Total diluted losses per share attributable to the ordinary equity holders of the Group	(5.21)	(11.82)

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

	2015	2014
	$'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	**(10,254)**	**(22,906)**
DILUTED EARNINGS PER SHARE		
Loss from continuing operations attributable to the ordinary equity holders of the Group:		
Used in calculating diluted losses per share	**(10,254)**	**(22,906)**
Loss attributable to the ordinary equity holders of the Group used in calculating diluted losses per share	**(10,254)**	**(22,906)**

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

	2015	2014
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	196,877,805	193,850,355
Plus potential ordinary shares	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**196,877,805**	**193,850,355**

(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 29(C).

29. Share-based payments

(a) Performance rights

The performance rights plan was established by the Board of Directors to provide long-term incentives to the Group's Senior Executives based on total shareholder returns (TSR) taking into account the Group's financial and operational performance. Under the Plan, eligible participants may be granted rights on terms and conditions determined by the Board from time to time. FY15 performance rights were granted during FY15. The vesting conditions, which relate to TSR exceeding the All-Ordinaries over the same measurement period, will be tested on 30 June 2017.

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

The fair value of the rights at the date of valuation, ignoring vesting conditions, was determined to be equal to the VWAPs ending on the day before the grant date, less the dividends expected over the period from the expected grant date to the completion of the measurement period. This value was confirmed using the Black-Scholes Option Pricing Model. A volatility factor of 33.49% was used in the calculation.

	2015	2015	2014	2014
	Number of Rights	Average Fair Value	Number of Rights	Average Fair Value
Opening balance	-	-	-	-
Granted during the year	1,368,653	$1.05	-	-
Vested during the year	-	-	-	-
Forfeited during the year	(65,309)	$0.98	-	-
Closing balance	**1,303,344**	**$1.05**	**-**	**-**

(b) Loan Funded Share Plan

On 31 October 2011, shares were issued to NEXTDC Share Plan Pty Ltd, a wholly-owned subsidiary of NEXTDC Limited 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 3,381,030 (2014: 3,676,744) 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.

	2015	2015	2014	2014
	Number of Shares	Average Exercise Price	Number of Shares	Average Exercise Price
As at 1 July	3,400,645	$2.15	3,455,949	$2.14
Granted during the year	-	-	194,696	$2.64
Settled/repaid during the year	(295,714)	$1.90	-	-
Forfeited during the year	(585,714)	$2.24	(250,000)	$2.25
As at 30 June (allocated to employees)	**2,519,217**	**$2.17**	**3,400,645**	**$2.15**
Vested and exercisable at 30 June	1,323,792	$2.13	1,104,938	$1.89

29. Share-based payments (continued)

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:

	2015	2014
Number of loan funded shares issued to employees	2,519,217	3,400,645
Number of loan funded shares unallocated	861,813	276,099
Total number of loan funded shares on issue	**3,381,030**	**3,676,744**

The weighted average remaining life of the loan funded shares was 2.30 years (2014: 3.25 years) and the exercise prices ranged from $1.75 to $3.00.

The following inputs were used for grants of loan funded shares.

MODEL INPUTS	2015	2014
Exercise price (ranges)	-	$2.64
Grant dates(s)	-	As per previous table
Expiry date(s)	-	As per previous table
Share price at grant date (ranges)	-	$2.53 to $2.70
Expected price volatility of the company's shares (ranges)	-	32% to 34%
Option life	-	5 years
Expected dividend yield	-	0%
Risk-free interest rate (ranges)	-	2.50% to 2.75%

(c) 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 was designed to provide medium and long-term incentives for Senior Executives to deliver long-term shareholder returns. Under the plan, participants were granted options which would vest after a certain timeframe. Participation in the plan was at the board's discretion and no individual had a contractual right to participate in the plan or to receive any guaranteed benefits.

There have been no grants of options since 2011 and there were no outstanding options at year-end.

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
2015								
31 Oct 2011	27 Apr 2015	$1.40	250,000	-	250,000	-	-	-
Total			**250,000**	**-**	**250,000**	**-**	**-**	**-**
Weighted average exercise price			1.40		$1.40			
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

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.

29. Share-based payments (continued)

(d) 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:

	2015	2014
	$'000	$'000
Rights to deferred shares	243	681
Performance rights	425	-
Total expenses arising from share-based payment transactions	**668**	**681**

30. Subsidiaries and transactions with non-controlling interests

Name of entity	Note	Country of incorporation	Class of shares	2015	2014
				%	%
NEXTDC Share Plan Pty Ltd		Australia	Ordinary	100%	100%
ONEDC Software Pty Ltd		Australia	Ordinary	100%	100%
AXON Systems Pty Ltd	(a)	Australia	Ordinary	100%	N/A

(a) AXON Systems Pty Ltd

AXON Systems Pty Ltd was incorporated on 30 January 2015.

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

	2015	2014
	$'000	$'000
Loss for the year after income tax	**(10,254)**	**(22,906)**
Gain relating to deferred income	-	(7)
Depreciation and amortisation	14,148	10,354
Noncash employee benefits expense share-based payments	668	681
Gain on disposal of assets or securities	-	(1,696)
Finance charges classified as financing activities	-	225
CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) / decrease in trade debtors	(2,521)	4,739
(Increase) / decrease in prepayments and other current assets	(1,965)	481
(Increase) / decrease in interest receivable	(48)	111
(Increase) / decrease in cash used in bank guarantees	-	(730)
(Increase) / decrease in GST	314	1,407
(Increase) / decrease in customer incentives	140	(1,501)
(Increase) / decrease in other assets	(597)	(537)
(Increase) / decrease in deferred tax assets	-	3,012
Increase / (decrease) in trade payables	406	(3,779)
Increase in other operating liabilities	122	17
Increase / (decrease) in employee entitlements	563	(270)
Increase in revenue in advance	11	24
Increase in other provisions	186	175
Increase in interest payable	5,705	234
Net cash outflow from operating activities	**6,878**	**(9,966)**

32. Events occurring after the reporting period

Subsequent to the end of 30 June 2015, NEXTDC was successful in upsizing its undrawn senior secured debt facility with the Company's relationship bank, National Australia Bank ("NAB") from $20.0 million to $50.0 million.

On 10 August 2015, NEXTDC announced that it had entered into a material new contract for the provision of data centre services with a Federal Government customer. The contract is for operation over a six year term with options for extension, and is valued at approximately $35.0 million before factoring in any revenue derived from power recharge.

33. Parent entity financial information

	Note	2015	2014
		$'000	$'000
Total Current Assets		67,215	86,358
TOTAL ASSETS		**293,275**	**297,281**
Total Current Liabilities		11,565	7,188
TOTAL LIABILITIES		**78,375**	**73,706**
NET ASSETS		**214,900**	**223,575**
Shareholders' equity			
Contributed equity		267,422	267,072
Reserves	(A)	(4,853)	(6,082)
Accumulated losses		(47,669)	(37,415)
TOTAL EQUITY		**214,900**	**223,575**
Loss for the year after tax		(10,254)	(22,906)
Total comprehensive loss for the year		(10,254)	(22,906)

(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 2015, 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 2015, the NEXTDC Limited (parent entity) provided a total of $3.1 million (2014: $3.1 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 26 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 59 to 105 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 2015 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
26 August 2015

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 2015, 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 (B), 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*.

Auditor's opinion

In our opinion:

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

(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 2015 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 (B).

Report on the Remuneration Report

We have audited the remuneration report included in pages 22 to 42 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan

Michael Shewan — Brisbane

Partner — 26 August 2015

Shareholder Information

The following shareholder information was applicable as at 31 July 2015.

(a) Distribution of equity securities

Holding	Number of investors	Number of securities
100,001 and over	122	142,542,345
10,001 to 100,000	1,388	34,641,020
5,001 to 10,000	1,208	9,446,505
1,001 to 5,000	2,113	6,592,732
1 to 1,000	1,050	477,598
Total	**5,881**	**193,700,200**
Unmarketable parcels	292	4,105

(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	52,144,340	26.92%
2	NATIONAL NOMINEES LIMITED	19,584,659	10.11%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,669,875	7.06%
4	CITICORP NOMINEES PTY LIMITED	8,897,271	4.59%
5	BNP PARIBAS NOMS PTY LTD <DRP>	6,039,274	3.12%
6	UBS NOMINEES PTY LTD	4,928,606	2.54%
7	IRSS NOMINEES (22) LIMITED	2,885,440	1.49%
8	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,033,804	1.05%
9	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	1,650,000	0.85%
10	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	1,462,992	0.76%
11	FORESTER INVESTMENTS PTY LIMITED <WELLINGTON SUPER FUND A/C>	1,026,250	0.53%
12	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	906,751	0.47%
13	JH NOMINEES AUSTRALIA PTY LTD <HARRY FAMILY SUPER FUND A/C>	890,000	0.46%
14	THE TRUST COMPANY SUPERANNUATION LIMITED <GPMSF2 - FUTURE SUPER A/C>	873,214	0.45%
15	MR PETER CONSTABLE	800,000	0.41%
16	FIR NOMINEES PTY LIMITED <TRS A/C>	701,700	0.36%
17	MR ROBERT CONSTABLE & MRS JANET MARIE CONSTABLE <RJ REALTY PROVIDENT FUND A/C>	592,920	0.31%
18	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	565,094	0.29%
19	HGT INVESTMENTS PTY LTD	550,000	0.28%
20	MR TIMOTHY LINDSAY MCCAUGHEY <CITADEL A/C>	543,521	0.28%
	Total for top 20	**120,745,711**	**62.34%**

Unquoted Equity Securities	Number on issue	Number of holders
Performance rights	1,303,344	14

(c) Substantial holders

	Holding	Number held	Percentage of issued shares
1	Avoca Investment Management	16,903,682	8.73%
2	PM Capital	13,175,295	6.80%
3	Ellerton Capital	12,099,596	6.25%
4	Renaissance Asset Management	12,081,636	6.24%
5	Antares Capital	11,340,158	5.85%

(d) Voting rights

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

(i) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Corporate Directory

Directors

Douglas Flynn
Chairman

Craig Scroggie
Chief Executive Officer

Elizabeth Gaines
Non-Executive Director

Stuart Davis
Non-Executive Director

Gregory J Clark
Non-Executive Director

Company secretary

Michael Helmer

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

Herbert Smith Freehills
ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

Share Register

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

Stock Exchange Listing

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

www.nextdc.com